

Item 1 – Cover Page

Canaan Natural Gas Management LLC

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March 29, 2012

This brochure on Form ADV (the "Brochure") provides information about the qualifications and business practices of Canaan Natural Gas Management LLC ("CNGM" or "we"). If you have any questions about the contents of this Brochure, please contact us at (405) 604-9300 and/or scott.rayburn@canaangas.com. The information in the Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

CNGM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about CNGM is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Pursuant to new Securities and Exchange Commission (“SEC”) Rules CNGM is required to register with the SEC as an Investment Advisor. This Brochure, dated March 30, 2012, is a new document prepared according to the SEC’s new requirements and rules.

In the future, this Item will discuss only specific material changes that are made to the Brochure. Each time we will reference the date of our last annual update of the Brochure.

Pursuant to new SEC Rules, you will receive a summary of any materials changes to the Brochure, and any subsequent versions of the Brochure within 120 days of the close of our business’ fiscal year, which is December 31. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new version of the Brochure as necessary based on changes or new information, at any time, without charge.

Currently, you may request the Brochure by contacting Scott Rayburn, Chief Compliance Officer, at (405) 604-9289 or scott.rayburn@canaangas.com. The Brochure is also available on the Canaan Resources web site, www.canaanresources.com also free of charge.

Additional information about CNGM is also available via the SEC’s web site, www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with CNGM who are registered, or are required to be registered, as investment adviser representatives of CNGM.

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Item 4 – Advisory Business

CNGM has engaged in business since 2005. It recently became registered as an Investment Advisor with the SEC. CNGM is entirely owned by its employees. Leo E. Woodard and John K. Penton, our Founders, are the majority owners of CNGM.

CNGM focuses on generating returns through two affiliated private companies which focus on a strategy of direct investments in oil and gas assets, principally working interests in natural gas, located in the United States.

Privately Offered Pooled Investment Vehicles

CNGM serves as investment adviser to privately offered pooled investment vehicles formed as limited partnerships (where CNGM or an affiliate is a general partner or manager). CNGM's pooled investment vehicles are available only to persons who are "accredited investors" under the Securities Act of 1933, as amended, and "qualified clients" under the Investment Advisers Act of 1940, as amended. In most cases, investors must also be "qualified purchasers" under the Investment Company Act of 1940, as amended. These pooled investment vehicles are not made available to the general public and are not registered investment companies. CNGM's pooled investment vehicles are managed by CNGM (or a controlled subsidiary) in its sole discretion.

CNGM's pooled investment vehicles include lock-up funds, where each limited partner makes an up-front commitment to contribute an amount of capital as it is called by CNGM for investment, and generally may not withdraw funds.

Lock-up Funds. CNGM's lock-up funds are single-strategy funds engaged in making private investments in pre-designated private oil and gas companies which are owned 100% by the lock-up funds and managed by CNGM. The funds may only invest in these pre-designated portfolio oil and gas companies and the capital is used to enable the portfolio company to acquire oil and gas assets as well as provide working capital growth and thereby build value for fund holdings.

At March 29, 2012, our active lock-up funds include:

- Canaan Natural Gas Fund IX, L.P.
- Canaan Natural Gas Parallel Fund IX, L.P.
- Canaan Natural Gas Parallel B Fund IX, L.P.
- Canaan Natural Gas Fund X, L.P.
- Canaan Natural Gas Parallel Fund X, L.P.
- Canaan Natural Gas Parallel B Fund X, L.P.

Investment in the lock-up funds is permitted only at scheduled fund closings. As portfolio holdings are sold in a lock-up fund, the proceeds realized (as well as interest and cash dividends received) are generally distributed to limited partners. However, limited partners in these funds generally may not

otherwise reduce or withdraw their investments.

Assets under Management

As of March 29, 2012, the total assets under management amounted to \$ \$488.4 million.

Item 5 – Fees and Compensation

Privately Offered Pooled Investment Vehicles

Lock-up Funds. CNGM's lock-up funds are charged no annual management fees. Affiliates of CNGM, which serve as General Partners of the funds, receive a "carried interest" in their capacity as general partner entitling them to 20% of realized profits after a preferred return to limited partners. This carried interest is based on realized gains and received income only, and is payable as portfolio holdings are liquidated or otherwise monetized, subject, in some cases, to a reserve or claw-back arrangement to account for possible or actual losses incurred on holdings subsequently sold.

As portfolio holdings are sold in a lock-up fund, the proceeds received (as well as interest and cash dividends received) are generally distributed to limited partners. However, limited partners in these funds generally may not otherwise reduce or withdraw their investments.

Item 6 – Performance-Based Fees and Side-By-Side Management

As described in Item 5, Affiliates of CNGM are entitled to receive a performance-based or incentive fee or allocation in the lock-up funds based on proceeds distributed to investors. CNGM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

CNGM provides investment supervisory services through privately offered (i.e., unregistered) pooled investment vehicles. The pooled investment vehicle's investors consist of endowments, foundations, institutional clients, family offices, fund to funds, and high net worth individuals.

Each of CNGM's pooled investment vehicles has a stated minimum investment requirement of \$5 million, however, CNGM may, and in many cases has, accepted initial investment in its pooled investment vehicles below the stated minimums. These situations are evaluated on a case-by- case basis.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

CNGM relies primarily on internally generated research and information when making investment decisions as well as information acquired from prospective sellers of oil and gas properties and publically available information. In addition, trade publications, charts and other statistical material are furnished by

outside vendors. CNGM also considers research furnished by investment bankers and other industry members.

Since the funds are restricted from investing in anything other pre-designated portfolio companies, investment activities are focused on acquisition and development of oil and gas assets to be acquired by the portfolio companies.

Investment Risks

Lock-up Funds. Investment in these funds requires a long-term commitment, with no certainty of return. The portfolio companies in which the funds invest may experience financial difficulties, which difficulties may never be overcome. The fund's investments will be illiquid, and there can be no assurance that the funds will be able to realize on such investments in a timely manner. The portfolio companies will acquire oil and gas assets which are subject to commodity price fluctuations, drilling and operational risks, reservoir risk, competition from larger and better capitalized competitors and lack of control over operations in many cases.

Additionally, the funds will acquire securities that cannot be sold except pursuant to a registration statement filed under the 1933 Act or in accordance with Rule 144 of the 1933 Act or another exemption under the 1933 Act. There may be little or no near-term cash flow available to the Partners. Although the Funds do not employ investment leverage, the portfolio companies do employ investment leverage which increases the exposure of that company to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the company or its industry. Because the funds and the portfolio companies will only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to Limited Partners. There is no guarantee of a minimum rate of return or of a limit on losses. Additional information on investment risk is discussed in the individual Private Placement Memorandum of each fund.

Please remember investing in securities generally involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Neither CNGM nor any of its management or affiliates has ever been the subject of any legal or disciplinary actions relating to investment related business.

Item 10 – Other Financial Industry Activities and Affiliations

CNGM is affiliated with Canaan Natural Gas Associates, LLC and Canaan Natural Gas Associates X, LLC which serve as the general partners of the limited partnerships which CNGM manages.

Item 11 – Code of Ethics

Code of Conduct

As a fiduciary, CNGM owes its investors undivided loyalty – our investors trust us to act on their behalf, and we hold ourselves to the highest standards of fairness in all such matters.

We expect all employees to:

- act with integrity, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, their employer, and their fellow employees.
- adhere to the highest standards with respect to any potential conflicts of interest with client accounts – simply stated, no officer or employee should ever enjoy an actual or apparent benefit over the account of any client.
- preserve the confidentiality of information that they may obtain in the course of our business and to use such information properly and not in any way adverse to our clients' interests, subject to the legality of such information.
- conduct their personal financial affairs in a prudent manner, avoiding any action that could compromise in any way their ability to deal objectively with our clients.

Violations of this Code of Conduct may warrant sanctions which may include suspension or dismissal, at the discretion of management.

Summary of Code of Ethics

This Code of Ethics is predicated on the principle that CNGM owes a fiduciary duty to its investors. Accordingly, CNGM's employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of investors. At all times, CNGM must:

Place investor interests ahead of CNGM's – As a fiduciary, CNGM must serve in its investors' best interests. In other words, employees may not benefit at the expense of investors. This concept is particularly relevant when employees are making personal investments.

Engage in personal investing that is in full compliance with CNGM's Code of Ethics – Employees must review and abide by CNGM's Personal Securities Transaction and Insider Trading Policies.

Avoid taking advantage of your position – Employees must not accept investment opportunities, gifts or other gratuities from clients or individuals seeking to conduct business with CNGM without authorization from the CCO or the GC.

Personal Investing

The portfolio companies CNGM manages purchase oil and gas properties for development purposes. CNGM, its partners, officers and employees are prohibited from participating alongside CNGM's portfolio companies in such purchases. Additionally, CNGM and its management are required to refer to CNGM clients all opportunities available to them to make investments in oil and gas properties other than opportunities relating to oil and gas properties owned prior to such person becoming a member of CNGM management.

Clients may request a copy of CNGM's Code of Conduct and Code of Ethics by contacting Scott Rayburn, Chief Compliance Officer and General Counsel, at 405-604-9289.

Co-Owners

In some circumstances, the same oil and gas properties may be owned by the portfolio companies owned by multiple CNGM clients. CNGM's duty to be unbiased and fair to clients on both sides may pose an inherent conflict of interests. To ensure that it fulfills its duty to each client, CNGM seeks to ensure the appropriateness of the transaction for each client and that it is fair to all parties.

Item 12 – Brokerage Practices

CNGM does not engage in brokerage practices and does not engage the services of broker-dealers.

Item 13 – Review of Accounts

CNGM does not conduct periodic account reviews. Each client receives annual audited financial statements and quarterly and annual letters highlighting the developments for the period.

Item 14 – Client Referrals and Other Compensation

CNGM does not make client referrals and consequently does not receive compensation for referrals.

Item 15 – Custody

Investment and cash are held in client accounts and CNGM, by virtue of its ability to withdraw and transfer funds, is deemed to have custody of client accounts. Investors receive audited financials within 120 days following the end of the pooled investment vehicle's fiscal year. Audited financial statements are prepared by an independent accounting firm, which is registered and subject to the inspection by the Public Company Accounting Oversight Board.

Item 16 – Investment Discretion

CNGM has no discretion with respect to which portfolio company in which a particular lock-up fund will invest since these are pre-determined and set forth in the funds Private Placement Memorandum and limited partnership agreement. As manager of the funds, as well as manager of the portfolio company, CNGM's

investment discretion involves the investment amount, acquisition and divestiture price, and selection and development of oil and gas properties.

Item 17 – Voting Client Securities

As manager of the lock-up funds, as well as manager of the portfolio companies, coupled with the fact that affiliates of CNGM serve as general partners of the lock-up funds, CNGM and its affiliates have full discretion to vote securities except in limited circumstances set forth in the limited partnership agreements of the lock-up funds such as sale of all or substantially all of the assets of the funds, amendment of the agreements, etc. CNGM acknowledges its fiduciary responsibility to vote in a manner that ensures to the exclusive benefit of the underlying participants and beneficiaries, while using the care, skill, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing.

Item 18-Financial Information

CNGM has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.