

FIRM BROCHURE

SMACKOVER MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of Smackover Management, LLC. If you have any questions about the information contained in this brochure, please contact us at (303) 984-1514. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any other regulatory authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of applicable offering and governing documents that contain a description of the material terms relating to such investments, products or services.

Additional information about Smackover Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

October 1, 2012

Item 2: Material Changes

Not applicable.

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FIRM DESCRIPTION

Smackover Management, LLC, a Delaware limited liability company (“Smackover,” “we,” “our” or “us”), was organized in May 2012. We will provide investment management, administrative and other services to an affiliated private pooled investment vehicle (the “Fund”) with respect to investments in oil and natural gas properties, interests and assets. Our investment advice will be provided in accordance with the investment objectives and strategies described in the offering and governing documents of the Fund, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

Smackover Petroleum GP, L.P., an entity controlled by us (the “General Partner”), is the sole general partner of the Fund. Pursuant to an investment management agreement, the General Partner will delegate exclusive discretionary investment management authority with respect to the Fund and its assets to us. The General Partner will rely on our investment adviser registration instead of separately registering as an investment adviser with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). **See Item 10.**

PRINCIPAL OWNERS

Our members are Royalty Exploration, LLC and Mike Reed. The principal owners of Royalty Exploration, LLC are ARFamily LLLP and Digger, LLLP. Mark A. Arnold and Theresa P. Arnold are limited partners of ARFamily LLLP. Grant J. Tonkin and Marilyn D. Mills are limited partners of Digger, LLLP.

TYPES OF ADVISORY SERVICES

We will provide investment management, administrative and other services to the Fund with respect to investments in oil and natural gas properties, interests and assets. We will not provide investment advice with respect to any other types of investments that may be deemed to be securities for purposes of the Advisers Act. We will have full discretionary power and authority with respect to the investment of the Fund’s capital, including the location, acquisition, management and liquidation of investments. We generally will not serve as the named operator of oil and natural gas properties and assets owned by the Fund.

We will provide investment management services solely with respect to the Fund, and no investor or prospective investor should look to us or our affiliates for advice regarding any of its own investment decisions, including any decision to invest in the Fund. We will treat the Fund, and not any of the investors in the Fund, as our “client” for purposes of the Advisers Act and other applicable laws and regulations, to the extent permitted under such laws. Among other things, this generally means that disclosures required to be made by us to our clients will be made to the Fund, and not to the investors, and that necessary consents may be given by us and/or our affiliates on behalf of the Fund and its investors. **See Item 8 below.**

INVESTMENT RESTRICTIONS

We will provide investment advice to the Fund in accordance with the investment objectives and strategies set forth in its offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in that Fund. Investors generally will not be permitted to impose restrictions or limitations on the management of the Fund.

ASSETS UNDER MANAGEMENT

We do not currently have any regulatory assets under management.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our services, the General Partner generally will receive or be entitled to receive management fees and carried interest distributions with respect to the Fund. While these management fees and carried interest distributions are described in detail in the governing and offering documents of the Fund, a general summary of our basic fee schedule is set forth below.

Management Fees

The General Partner generally will be entitled to receive an annual management fee, payable with respect to each calendar quarter in advance, as set forth below:

- (i) during the investment period, the management fee will be equal to 0.5% (2% per annum) of the capital commitment of each investor; and
- (ii) beginning with the first full calendar quarter after the expiration or termination of the investment period, the management fee will be equal to 0.5% (2% per annum) of each investor's invested capital (reduced by write offs, if any, then in effect to reflect the permanent impairment in value of any unrealized investment), as of such date.

The General Partner will pay and/or assign a portion of the management fee to us in consideration of our investment advisory services provided with respect to the Fund.

Carried Interest Distributions

Following a return of capital to each investor and after such investor has received distributions sufficient to provide it with a preferred rate of return on its capital contribution(s), the General Partner generally will be entitled to receive a carried interest distribution equal to 20% of the net distributable cash of the Fund. Upon liquidation of the Fund, the General Partner will be required to return to the Fund (for distribution to applicable investors) (i) any amount by which the aggregate carried interest distributions to the General Partner has caused the General Partner to receive an amount in excess of twenty percent (20%) of the net distributable cash received by an investor and (ii) any amount by which the cumulative distributions to any investor has not caused such investor to receive an amount equal to the aggregate capital contributions made by such investor plus the preferred rate of return on such investor's capital contributions (subject to certain limitations); *provided, however*, in no event will the General Partner be required to repay more than the actual amount of carried interest distributions received with respect to that investor less the deemed income tax liability attributable to such carried interest distributions.

Management fees and carried interest distributions with respect to the Fund generally will not be negotiable. Nevertheless, we and/or the General Partner may enter into side agreements or arrangements with certain investors that provide such investors with preferential terms or rights, including reduced fees.

Each investor in the Fund generally will be required to be, among other things, a "qualified purchaser" as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

PAYMENT OF FEES

Management fees will be payable by investors quarterly, in advance, as of the first business day of each calendar quarter. Management fees may be paid from capital contributions drawn for such purpose, proceeds received in respect of any investments or any other funds or other assets determined by us or our affiliates to be available. In the event that the Fund is dissolved or our advisory services are terminated prior to the end of any calendar quarter, then a proportionate amount of any unearned management fees will be refunded to the applicable investor(s).

Carried interest distributions will be distributed to the General Partner from time to time after investors have received a return of their aggregate capital contribution and a preferred return thereon.

OTHER FEES AND EXPENSES

In addition to management fees and carried interest distributions, the Fund will be responsible for and bear its organizational costs and expenses. In addition, the Fund generally will bear all costs and expenses relating to its activities, including but not limited to, (a) administrative expenses related to the operation of the Fund, including the fees and expenses of accountants, lawyers, third-party administrators and other professionals and service providers incurred in connection with the Fund's annual audit, data processing, investment-level management and servicing, funding notices, investor recordkeeping, legal, compliance, financial reporting, legal opinions, tax planning, tax projections, tax strategy and tax return preparation, as well as the expenses associated with the preparation and distribution of reports; (b) fees, costs and expenses, if any, incurred in evaluating, negotiating, structuring, acquiring, appraising, financing, refinancing or otherwise dealing with investments pursued for the Fund (whether or not the Fund actually acquires such investments), including any "dead deal" costs, travel costs, legal, due diligence, investment banking, reporting, engineering, geology, geophysics, geochemistry, projections, valuation, tax and accounting expenses and other fees and out-of-pocket costs related thereto; (c) fees, costs and expenses, if any, with respect to rendering financial assistance to or arranging for financing for the Fund, any subsidiary thereof or the Fund's investments; (d) fees, costs and expenses, if any, incurred in relation to the acquisition, holding, developing, monitoring, management, appraising, financing, refinancing, disposing of or otherwise dealing with investments, including any travel, legal, audit, financing, appraisal, insurance consulting, leasing, brokerage, inspection, engineering, geology, geophysics, geochemistry, indemnification and accounting expenses and other fees and out-of-pocket expenses related thereto; (e) interest expenses, making temporary investments and other investment costs incurred by or on behalf of the Fund; (f) fees, costs and expenses incurred in organizing, forming and maintaining any alternative investment vehicles or subsidiaries or any other entity formed to facilitate the Fund's investment objective and all fees, costs and expenses incurred in connection with the offering of limited partnership interests following the initial closing date; (g) taxes, fees and other equivalent government charges levied against the Fund, any investment or the income thereof, fees of auditors, counsel and other advisors of the Fund, premiums for insurance protecting us, the Fund, the General Partner and any other indemnified parties and any litigation costs of the Fund; (h) indemnification expenses incurred pursuant to the Fund's partnership agreement or related to any investment of the Fund and any other extraordinary administrative or operating fees or expenses; (i) the costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies; (j) costs and expenses of forming any special purpose entity or subsidiary in connection with an investment and the costs of maintaining each entity of the Fund; and (k) other customary expenses. To the extent applicable, the Fund generally will be responsible for and pay any applicable brokerage and/or custodial fees and expenses. **See Item 12 below.**

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

PERFORMANCE-BASED FEES

As noted under Item 5 above, the General Partner, our affiliate, may be entitled to receive carried interest distributions with respect to each investor in the Fund. Carried interest distributions could motivate us, due to our relationship with the General Partner, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Certain of our individual employees, agents and affiliates may be compensated to some extent based upon investment profits for which they are responsible and, accordingly, may face the same potential conflict. The method of calculating the carried interest may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions. We attempt to address these conflicts through full and fair disclosure in the applicable offering and governing documents and/or this brochure.

Item 7: Types of Clients

DESCRIPTION

We initially will provide investment management services only with respect to the Fund, our affiliate and sole advisory client.

ACCOUNT REQUIREMENTS

The minimum initial capital commitment generally required for an investor in the Fund will be \$500,000. Nevertheless, capital commitments of lesser amounts may be accepted in the sole discretion of the General Partner.

Investors in the Fund generally will be required to be “accredited investors,” as such term is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended, and “qualified purchasers” as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, and the rules promulgated thereunder.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The primary investment objective of the Fund will be to generate attractive returns through the acquisition, development and exploration of oil and natural gas properties, interests and assets located primarily in the Smackover formation of the Gulf Coast region of the United States (the "Projects"). To achieve its investment objective, the Fund intends to jointly fund the drilling, development and exploration of the Projects and collect and distribute net proceeds from the sale of oil and natural gas produced from and attributable to such Projects. We initially expect that approximately fifty percent (50%) of the Fund's available capital will be used to acquire working interests in proven producing oil and natural gas wells, and the remaining fifty percent (50%) will be used to explore and develop new prospects. With respect to each Project, a third party will serve as operator and will be primarily responsible for all drilling and other operations operating with respect to such Project.

The Fund intends to acquire working interests in proven producing oil and natural gas wells and exploration projects. We expect to conduct thorough technical and economic evaluations of all prospective investment opportunities, focusing on wells that we believe will produce a long term revenue stream with an attractive rate of return. The Fund will focus on acquisition opportunities with stable production histories along with identified potential for growth through additional field development.

Our management team is expected to continuously evaluate opportunities for Projects, including prospects in the market as well as internally generated exploration prospects. Our technical team will include geology and engineering experts who collectively will source and identify prospects, evaluate each potential Project and present recommendations to us. Once a prospect has been identified and a Project has been approved, we or the operator, as applicable, will lease the mineral rights, acquire necessary rights-of-way and initiate the regulatory procedures that are necessary to explore and drill in the selected sites. If the leases are acquired by the operator, interests in such leases will be assigned to the Fund. Leases may also be acquired directly by the Fund.

Once lease rights are acquired, we or the operator, as applicable, will conduct various exploration activities, such as geochemical and geophysical surveys.

The operator for each Project will be responsible for drilling the wells on the Project. Generally, once the infrastructure is in place, the operator will drill one or more initial test wells. The results from these initial evaluation wells will determine whether or not the operator proceeds to drill additional wells on the Project. The operator will complete each well if there is a reasonable probability of obtaining commercial quantities of natural gas or oil from such well. If we and the applicable operator determine that a well should not be completed, then the well will be plugged and abandoned.

During production operations, the operator's duties will include: (i) managing and conducting all field operations in connection with operating and producing the wells; (ii) making the technical decisions required in operating the wells; and (iii) maintaining the wells, equipment and facilities in good working order during their useful life. We will supervise the production operations.

Each operator will be responsible for selling all or a portion of the oil and natural gas produced from the Projects that it operates on a competitive basis at the best available terms and prices.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding our investment strategies, please see the offering document of the Fund.

CERTAIN RISK FACTORS

There can be no assurance that the Fund will achieve its investment objectives or that an investment in the Fund will be profitable. The Fund's investment strategies will involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that an investment in the Fund is low risk or risk free. The Fund's investment strategies and program will be appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various

risks outlined below are not the only risks associated with these investment strategies and processes. The following risks are qualified in their entirety by the risks set forth in the Fund's offering documents.

No Assurance of Profits or Distributions. The Projects and other investments made by the Fund may not produce or generate any revenue or profits. There can be no assurance that the investments made by the Fund will be profitable or that any distributions will be made to investors. Any return on investment to the investors will depend on the success, value, production and profitability of Projects and activities related thereto. The success, value, production and profitability of the Projects will in turn depend upon many factors that are beyond the control of the Fund, the General Partner or us, including the amount of production, amount of recoverable natural gas and/or oil, terrain and geological formations, the price of oil and natural gas and governmental laws, rules and regulations. Moreover, third parties will serve as operators with respect to the Projects and generally will be in a position to control activities and operations with respect thereto. Economic problems could negatively impact development of the Projects and lower the proceeds payable with respect thereto. Furthermore, the Fund may not have sufficient cash available to make tax distributions to the investors. The expenses of the Fund may exceed its income, and the investors could lose the entire amount of their capital commitments.

Fluctuation of Oil and Natural Gas Prices. The Fund intends to use a substantial portion of its capital to acquire, develop and/or explore oil and natural gas properties, assets and interests located primarily in the Smackover formation of the Gulf Coast region of the United States. Accordingly, the Fund's success will be highly dependent upon the prices realized from the sale, exploration, development and optimization of oil and natural gas and a material decrease in such prices could have a material adverse effect on the Fund. Oil and natural gas prices can fluctuate significantly on a day-to-day basis in response to a variety of factors that are beyond the control of the Fund, the General Partner, us and our affiliates. Factors that contribute to price fluctuation include, without limitation: political conditions in major oil and natural gas producing regions; worldwide economic conditions; weather conditions; the supply and price of domestic and foreign natural gas or oil; the level of consumer demand; the price and availability of alternative fuels; the proximity to, and capacity of, transportation facilities; the effect of worldwide energy conservation measures; technological advances affecting energy consumption; and the nature and extent of governmental regulation and taxation.

Oil and natural gas prices have fluctuated significantly in the past and are expected to remain volatile in the future. There can be no assurance that the prices of oil and natural gas will increase in the future. If oil and natural gas prices decline, the Fund will be affected in at least three ways (among others). First, the Fund's net cash flow attributable to current production of the Projects will decline. Second, exploration and development activity on the Projects may decline as some Projects may become uneconomic and are either delayed or eliminated. Third, the value of proved developed, producing reserves and proved, undeveloped reserves could decline. It is impossible to predict future oil and natural gas price movements, and this reduces the predictability of the Fund's investment strategy.

Operating Risks. Even if oil and natural gas is found in what is believed to be commercial quantities, reservoir risks, which may be heightened in new discoveries, may lead to increased costs and decreased production, which, in turn, will lead to decreased cash flow for the Fund. These risks include the inability to sustain deliverability at commercially productive levels as a result of decreased reservoir pressures, large amounts of water or other factors that might be encountered. As a result of these types of risks, most lenders will not lend funds secured by reserves from newly discovered reservoirs, which could have a negative impact on the Fund and/or any operators developing the Projects. Operational risks include hazards such as fires, explosions, craterings, blowouts, uncontrollable flows of oil, natural gas or well fluids, pollution, releases of toxic gas and encountering formations with abnormal pressures. Weather related risks include earthquakes, hurricanes and other adverse weather and environmental conditions. The occurrence of one or more of these events could result in liability to the Fund for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages, which could result in a decrease of the net cash flow available to the Fund. Neither we nor any of our affiliates will serve as operator with respect to the Projects.

Incorrect Reserve Assumptions. The value of the Projects will depend upon, among other things, the reserves attributable to the Projects. The calculation of reserves and estimating reserves are inherently uncertain. In addition, the estimates of future net revenues are based upon various assumptions regarding future production

levels, prices and costs that may prove to be incorrect over time.

The accuracy of any reserve estimate is a function of the quality of available data, engineering interpretation and judgment and the assumptions used regarding the quantities of recoverable oil and natural gas and the future prices of oil and natural gas. Petroleum engineers consider many factors and make many assumptions in estimating reserves. Those factors and assumptions include, but are not limited to, the following: historical production from the area compared with production rates from similarly situated producing areas; the affects of governmental regulation; assumptions about future commodity prices, production and taxes; the availability of enhanced recovery techniques; and relationships with landowners, working interest partners, pipeline companies and others.

Changes in any of these factors and assumptions could materially change reserve and future net revenue estimates. Ultimately, actual production, revenues and expenditures attributable to the Projects, and therefore actual net proceeds available to the Fund, will vary from reserve estimates and those variations could be material and have a material adverse effect on the Fund. Results of drilling, testing and production after the date of those estimates may require substantial downward revisions or write-downs of reserves.

Ability to Develop Reserves. Among other things, the profitability, success and value of the Projects (and the economic success of the Fund) will depend upon the ability of third party operators to develop proved undeveloped, probable and possible oil and natural gas reserves. Development of such reserves likely will require significant capital expenditures, and there can be no assurances regarding the development results.

Depleting Assets. The net proceeds available to the Fund will be derived from the sale of depleting assets. The reduction in proved reserve quantities is a common measure of depletion. Development projects, which are determined by any operators (which generally will not be under the control of the Fund, the General Partner, us or our respective affiliates or agents), will affect the quantity of additional proved reserves and can offset the reduction in proved reserves. If operators do not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently expected by us or the Fund.

The Projects may never be developed and production may never occur. Even if production occurs, the Projects will eventually cease to produce in commercial quantities, and the Fund will, therefore, cease to receive any distributions of net proceeds therefrom, which may affect the value of limited partnership interests in the Fund.

Limited Influence on Operators. With respect to each Project, a third party is expected to serve as operator and will conduct, direct and have full control over all operations on the Project, subject to the terms and conditions of the participation agreement with the relevant operator for such Project. Consequently, the Fund will be highly dependent on such third party operators to develop and produce oil and natural gas in commercial quantities. If an operator does not develop and drill on a Project or fails to do so in the correct manner, the Fund may not receive any payments or other consideration with respect to the Project and may incur losses. In addition, if operators fail to conduct operations with respect to the Projects, one or more of the leases owned by the Fund may expire prior to drilling. Neither we nor the Fund generally will be able to influence or control the operations on, or control the future development of, the Projects. The Fund also may not have the right to remove or replace an operator. The failure of an operator to conduct or discharge its operations, deal with regulatory agencies or comply with governmental laws, rules and regulations in a proper manner could have an adverse effect on the net proceeds payable to, and therefore the profitability of, the Fund.

New Technology May Not Be Successful. Successful development of oil and natural gas properties will be highly dependent on advances in technology and practices. While we expect that the operators will be able to utilize new technologies and practices to develop oil and natural gas reserves, there can be no assurance that (a) the new practices and technologies will produce oil or natural gas in commercial quantities on the Projects; or (b) operators will be able to implement new technologies or practices on a timely basis or at an acceptable cost. The inability to use the new technologies could have a material adverse effect on the Fund.

Furthermore, while the oil and natural gas exploration, drilling and production industry is subject to rapid and significant advances in technology and practices, including the introduction of new drilling or extraction

technologies, there can be no assurance that new technologies or practices will develop in the future.

Risks Associated with Exploratory Drilling. The operators developing the Projects may engage in a substantial amount of exploratory drilling. The risks inherent in exploratory drilling are substantially greater than the risks inherent in acquiring producing properties or in developmental drilling of producing fields. There can be no assurance that the operators will locate oil and natural gas on the Projects or that such oil and natural gas, if located, can be produced at an acceptable cost or in marketable quantities.

Title to Properties. We expect that the Fund will have good and marketable title to working interests, leases and other rights in accordance with standards generally accepted in the oil and natural gas industry (but there can be no assurance of this fact). The Projects may be subject to existing oil and natural gas leases, liens for current taxes and other burdens, including other mineral encumbrances and restrictions customary in the oil and natural gas industry, that should not materially interfere with the use or otherwise affect the value of such properties. However, the General Partner cannot guarantee that the Fund will have clear and unobstructed title to leases or other rights assigned to the Fund. The General Partner also cannot guarantee that the mineral encumbrances and restrictions mentioned above will not materially interfere with the use of or affect the value of the Projects. Any cloud on the title of the working interests, leases and other rights owned by the Fund could have a material adverse effect on the Fund.

Lack of Available Financing. Many businesses, including those in the oil and natural gas industry, rely heavily on financing to commence and maintain their operations and the lack or high cost of such financing could cause such businesses to fail or dramatically cut back their operations. Operators developing the Projects may not be able to obtain the financing necessary to commence or maintain operations on properties, and this could negatively impact the Fund.

Shortages of Drilling Rigs, Equipment, Supplies and Personnel. In the past, there have been periods where general shortages of drilling rigs, equipment and supplies have occurred. Shortages of drilling rigs, equipment or supplies could delay and adversely affect exploration and development operations associated with the Projects, which could have a material adverse effect on the Fund's business, financial condition and results of operations. The demand for, and wage rates of, qualified rig crews in the drilling industry tend to fluctuate in response to the number of active drilling rigs in service. The oil and natural gas industry may in the future experience shortages of qualified personnel to operate drilling rigs, which could delay drilling operations and adversely affect the Fund's business, financial condition and results of operations.

Participation with Third Parties. Unaffiliated third parties are expected to own working and other interest percentages in the Projects, and additional financial risks exist when the costs of drilling, equipping, completing and operating wells are shared by more than one person. If the Fund pays its share of the costs, but another working interest owner does not pay its share of the costs, then the Fund may have to pay the costs of the defaulting working interest owner. In this event, the Fund would receive the defaulting owner's revenues from the well, if any, under penalty arrangements set forth in the participation agreement with the relevant operator for such Project, which may, or may not, cover all of the additional costs paid by the Fund.

Prepayment. Upon execution of a participation agreement with an operator, the Fund may prepay to the operator the Fund's contractual share of acreage, geophysical and geological costs and other up-front expenses, and drilling and completion costs, on a well-by-well basis. Once a prepayment is made, the operator is under no requirement to keep such funds segregated from funds received by other working interest owners. As a result of any prepayment, the Fund would become a general unsecured creditor of the operator and, therefore, could suffer the loss of all or part of the amount prepaid in the event that an operator has financial difficulties, liens are placed against the operator's assets or the operator files for bankruptcy.

Delays. Drilling and producing operations with respect to the Fund's assets and properties may be curtailed, delayed or canceled as a result of a variety of factors, including: high cost, shortages or delivery delays of equipment and services; unexpected operational events; adverse weather conditions; decreases in oil and natural gas prices; limitations in the market or access to markets for oil and natural gas; facility or equipment malfunctions; title disputes; pipeline ruptures or spills; collapses of wellbore, casing or other tubulars; compliance with environmental and other governmental requirements; unusual or unexpected geological formations; loss of

drilling fluid circulation; formations with abnormal pressures; fires; blowouts, craterings and explosions; changes in below-ground pressure in a formation that cause surface collapse or cratering; uncontrollable flows of oil, natural gas or well fluids; or pressure forcing oil or natural gas out of the wellbore at a dangerous velocity coupled with the potential for fire or explosion. In addition, negative geologic characteristics (*i.e.*, lack of porosity and permeability) may hinder or restrict production or even make production impractical or impossible. Any one of these events or other events may have a material adverse impact on the Fund.

In addition, drilling wells in areas remote from marketing facilities may delay production from such wells until sufficient reserves are established to justify construction of necessary pipelines and production facilities. While most of the Fund's assets and properties are expected to be in areas of current or historical oil and/or natural gas production with existing infrastructure, delays can and do occur. Local conditions including, but not limited to, closing businesses, conservation, shifting population, pipeline maximum operating pressure or capacity constraints and development of local oversupply or deliverability problems could halt or reduce sales from wells. Any of these delays could reduce the net cash flow of the Fund.

Loss of Lease Properties. Oil and natural gas leases generally must be drilled before the end of the lease term or the leaseholder will lose the lease and any capital invested therein. In addition, leases may also be lost due to legal issues relating to the ownership of leases. Any delays in drilling or legal issues causing the Fund to lose leases on properties could have a material adverse effect on the Fund.

Regulatory and Environmental Risks. Oil and natural gas operations are subject to numerous federal, state and local governmental laws and regulations which may be changed from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and natural gas. In addition, the production, handling, storage, transportation and disposal of oil and natural gas, byproducts thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations.

Currently, federal regulations provide that drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil and natural gas are exempt from regulation as "hazardous waste." From time to time, legislation has been proposed to eliminate or modify this exemption. Should the exemption be modified or eliminated, wastes associated with oil and natural gas exploration and production would be subject to more stringent regulation. On the federal level, operations on the Fund's properties may be subject to various federal statutes, including the Natural Gas Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act and the Oil Pollution Act, as well as by regulations promulgated pursuant to these actions.

These regulations may subject the Fund and the operators of the Fund's assets to increased operating costs and potential liability associated with the use and disposal of hazardous materials. These laws and regulations may have a material adverse effect on the Fund's financial condition and results of operations as there can be no assurance that the Fund will not be required to make material expenditures in the future. Moreover, such laws and regulations may become increasingly stringent in the future, which could lead to material costs for environmental compliance and remediation by the Fund.

Any failure to obtain required permits for, control the use of or adequately restrict the discharge of hazardous substances under present or future regulations could subject the Fund to substantial liability or could cause operations to be suspended. Such liability or suspension of operations could have a material adverse effect on the business, financial condition and results of operations of the Fund.

In addition to the foregoing, there is an increased focus by local, national and international regulatory bodies on greenhouse gas ("GHG") emissions and climate change. Various regulatory bodies have announced their intent to regulate GHG emissions. As these regulations are under development, the General Partner is unable to predict the total impact of the potential regulations upon the Fund's business and operations, and it is possible that the Fund and/or the operators of its assets could face an increase in operating costs in order to comply with GHG emissions legislation, which costs could reduce net proceeds available to the Fund.

Dependence on Distribution and Processing Systems. If the operators of the Projects are successful in identifying and developing marketable amounts of oil and natural gas, the production and marketing thereof will depend upon the availability and capacity of oil and natural gas gathering systems, pipelines and processing and storage facilities that are not owned by the Fund, us, the General Partner or the operators of the Projects. The unavailability or lack of capacity thereof could result in the shut-in of producing wells or the delay or discontinuance of development plans for Projects. Moreover, a substantial portion of the Projects may rely on the same gathering systems, transportation line, processing plants and storage facilities. In addition, federal and state regulation of oil and natural gas production and transportation, general economic conditions and changes in supply and demand could adversely affect an operator's ability to produce and market its oil and natural gas on a profitable basis. Any significant change in an operator's ability to produce and market its oil and natural gas production could have a material adverse effect on the Fund's financial condition and results of operations. There can be no assurance that adequate natural gas gathering systems, pipelines and processing and storage facilities will exist, will be constructed or will be available to operators on pricing terms that will allow them to economically produce and market any oil and natural gas located by them.

Terrorism and War. Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as the military or other actions taken in response to such actions, may cause instability in the global financial and energy markets. Terrorism, the wars in Iraq and Afghanistan, political instability in Northern Africa and the Middle East and other sustained military campaigns could adversely affect the Fund and the market price of oil and natural gas in unpredictable ways, or the possibility that the infrastructure on which the operators developing mineral properties rely could be a direct target or an indirect casualty of an act of terror.

Conflicts of Interest. Various actual and potential conflicts of interest exist among the Fund and us, our principals, the General Partner and our respective affiliates, including actual and potential conflicts of interest related to fees, expense allocation, treatment of other investors, limitation of liability, indemnification and outside business activities. During the Fund's term, many different types of conflicts of interest may arise and this Memorandum does not purport to identify or predict all such conflicts. Investors ultimately will be heavily dependent upon the good faith of us and each of our affiliates.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUND'S INVESTMENT PROGRAM. PROSPECTIVE INVESTORS SHOULD REVIEW THIS BROCHURE AND THE OFFERING AND GOVERNING DOCUMENTS OF THE FUND IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

SMACKOVER PETROLEUM GP, L.P.

As noted in Item 4 above, the General Partner will serve as the general partner of the Fund and, in such capacity, may be deemed to be an investment adviser, as such term is defined in the Advisers Act. Nevertheless, the General Partner will delegate exclusive discretionary investment management authority with respect to the Fund and its assets to us. The General Partner intends to rely on our registration rather than separately registering as an investment adviser with the SEC under the Advisers Act. In order to rely on our registration, the General Partner will enter into an investment management agreement with us, wherein (i) it, its employees and persons acting on its behalf will be “persons associated with” (as such term is defined in Section 202(a)(17) of the Advisers Act) us; (ii) the investment advisory activities of it, its employees and persons acting on its behalf will be subject to our supervision and control; (iii) the investment advisory activities of it, its employees and persons acting on its behalf will be subject to the Advisers Act and the rules and regulations promulgated thereunder; and (iv) its activities and books and records will be subject to inspection and examination by the SEC. The General Partner will be subject to our Compliance Manual and Code of Ethics. We and the General Partner are together filing a single Form ADV in reliance upon recent guidance issued by the SEC in a recent no-action letter.

OTHER ACTIVITIES OF OUR PRINCIPALS AND AFFILIATES

Our principals and affiliates may engage and hold interests in other business ventures of every kind and description for their own account including, without limitation, other investment entities that pursue investment objectives similar to the Fund, whether or not those business ventures are in direct or indirect conflict or competition with the Fund and our business, and whether or not the Fund or any of the investors has an interest therein, without having to account to the Fund or any investor for any profits or other benefits derived therefrom and without incurring any obligation to offer any interest in any such activity to the Fund or any investor.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CODE OF ETHICS

We will adopt and implement a code of ethics, which will set forth standards of business conduct for our supervised persons. Our code of ethics will primarily be designed to educate supervised persons about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to the Fund, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information, restrict the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by access persons. Among other things, we will impose restrictions on access persons relating to the purchase or sale of certain securities for their own accounts and the accounts of certain affiliated persons. Access persons will be required to submit reports disclosing personal securities transactions. We also will maintain certain policies and procedures designed to prevent supervised persons from misusing material non-public information or trading the same security ahead of the Fund. We will furnish a copy of our code of ethics to our clients upon request.

ADVISORY COMMITTEE

The General Partner will establish an advisory committee for the Fund (the "Advisory Committee") comprised of three (3) to five (5) persons selected by the General Partner; *provided, however*, (i) no member of the Advisory Committee will be an affiliate of the General Partner; and (ii) no member of the Advisory Committee may be removed from the Advisory Committee by the General Partner without reason.

The Advisory Committee may meet from time to time as deemed appropriate by the General Partner to consult with and/or advise the General Partner on any matters deemed appropriate by the General Partner, including the following: (i) the status of outstanding Fund investments and the economic and financial trends and conditions affecting Fund investments generally; (ii) any pre-closing investments that the General Partner desires to transfer or sell to the Fund and the estimated fair market value thereof; (iii) any circumstances involving conflicts of interest between the General Partner and us, on the one hand, and the investors and the Fund, on the other hand, and any conflicts of interest between the Fund, on the one hand, and any alternative investment vehicle or parallel investment vehicle, on the other hand; and (iv) the Fund's general investment policy and strategy.

The General Partner may in its discretion consult with, and/or seek the consent and/or approval of, the Advisory Committee in connection with (i) any approvals that are or would be required under the Advisers Act, including Section 206(3) thereunder, and/or any applicable laws; or (ii) any other matters deemed appropriate by the General Partner. Except as specifically set forth in the partnership agreement of the Fund, the General Partner will not be required to consult with, and/or seek the consent and/or approval of, the Advisory Committee with respect to any matter.

TRANSACTIONS WITH AFFILIATES

We and our affiliates have the right to perform services for, and receive compensation from, the Fund, any entity related to the Fund, or any Fund investment, and will have the right to purchase Fund investments or other assets (including securities) from, sell assets or lend funds to, or otherwise deal with the Fund, any related entity or any Fund investment. The terms of any such dealing (i) must be fair to the Fund, the related entity or the Fund investment, as applicable, and on terms comparable to those that would be obtained on an arm's-length basis, taking into account the nature of the transaction and the services provided and (ii) must otherwise not be in violation of the partnership agreement of the Fund or any applicable law. The General Partner may, but will not be required to, submit any matter involving a conflict of interest between the General Partner and/or its affiliates, on the one hand, and the investors and the Fund, on the other hand, to the Advisory Committee for review and approval on behalf of the Fund and the investors. In addition, the General Partner may submit to the Advisory Committee for review and approval: (i) any proposed investment in which we or (to our knowledge) any of our affiliates has a financial interest; (ii) any investments (other than investments through the Fund, any subsidiary thereof, any parallel investment vehicle or any alternative investment vehicle) that we or (to our knowledge) any of our affiliates is making in any investment in which the Fund has a financial interest; or (iii) any other material

transactions between the Fund, on the one hand, and us or our affiliates, on the other hand.

TRANSACTIONS WITH INVESTORS

Except as otherwise expressly provided in the partnership agreement of the Fund, any investor, its affiliates and any of their respective officers, directors, managers, employees, shareholders, members, partners and trustees (and any other person to which any of the foregoing are related or in which any of the foregoing are interested) may be employed by or on behalf of the Fund, the General Partner, us or any of our affiliates and may transact other business with the Fund, the General Partner, us or any of our affiliates and will, subject to applicable law, have the same rights and obligations to the Fund, the General Partner, us or any of our affiliates as a person who is not an investor in the Fund (including the right to receive from the Fund, the General Partner, us or any of our affiliates a fair and reasonable compensation, price, fee, commission or other payment therefor). None of the Fund, any investor or any of their respective affiliates shall have, as a consequence of the relationships created hereby, any rights in or to any income or profits derived from that employment or other transactions or relationships.

JOINT VENTURES

The Fund may invest in Fund investments jointly or in connection with third parties. In conjunction with any such joint venture or partnership, any other investors may be invited to invest capital with the Fund, and the Fund will not have any right to any compensation received by any affiliates of the General Partner, us or any other persons with respect to the investments of those third parties.

Item 12: Brokerage Practices

BROKERAGE PRACTICES

As we will only provide advice with respect to investments in oil and natural gas properties and related assets, we do not expect to be called upon to select or recommend broker-dealers or other counterparties to the Fund.

ALLOCATION OF INVESTMENT OPPORTUNITIES

During the investment period of the Fund, we will offer to the Fund all Smackover Investment Opportunities that are presented, or otherwise made available, to us, the General Partner or any of our principals; *provided* that (i) such Smackover Investment Opportunities, in our good faith judgment, meet the Fund's investment criteria and are available to the Fund and (ii) the Fund is otherwise able to make such investments. The obligations under the preceding sentence will terminate on the earlier of (i) the date on which the investment period of the Fund expires or is otherwise terminated and (ii) the date on which we, the General Partner or any of our principals becomes eligible to serve as general partner of or investment manager to any other investment fund, limited partnership or other similar collective investment vehicle that has as its primary purpose the making of investments substantially similar to those made by the Fund. As used herein, "Smackover Investment Opportunities" means investment opportunities in oil and natural gas properties located in Alabama, Arkansas, Florida, Louisiana, Mississippi and Texas where the Smackover Formation, a geologic rock unit, is the primary zone that may host oil and/or natural gas reserves.

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

We will provide investment advice primarily with respect to investments in oil and natural gas properties and assets. In monitoring the performance of the Fund and its investments, we will perform various levels of review. Among other items, we may consider petroleum reserve reports.

The Fund and its investments will be reviewed on a periodic basis (no less often than quarterly) by each of our principals. In addition, the Fund and its investments are also reviewed on a periodic basis by Yanari, Watson and McGaughey PC, an independent public accounting firm.

ADDITIONAL REVIEWS

While we generally will conduct reviews of all client accounts on at least a quarterly basis, we may conduct additional or more frequent reviews under certain circumstances.

REPORTS TO INVESTORS

We generally will provide investors in the Fund with the following reports and information: (i) periodic unaudited financial statements of the Fund; (ii) periodic reports with respect to investments of the Fund and the investment returns thereon in such form as the General Partner may determine from time to time; and (iii) annual audited financial statements of the Fund (prepared in accordance with generally accepted accounting principles). All such reports will be written. We may provide other reports in our discretion.

Item 14: Client Referrals and Other Compensation

THIRD PARTY COMPENSATION

Except as otherwise disclosed herein, we currently do not receive any economic benefit from any person who is not a client for providing advisory services with respect to the Fund.

PLACEMENT AGENT

Commerce Street Capital, LLC, a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“CSC”), has been engaged by the Fund to act as its exclusive placement agent in connection with the offering of limited partnership interests in the Fund. In consideration of its services, CSC and certain of its employees generally will be entitled to receive minority limited partnership interests in the General Partner based upon the aggregate capital commitments accepted by the Fund.

Item 15: Custody

We may be deemed to have custody of the Fund's cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. To the extent required by Rule 206(4)-2, the Fund's cash and securities will be held with one or more qualified custodians. The General Partner may change custodians at any time and from time to time without the consent of, or notice to, investors. In general and to the extent required by law, independent public auditors will conduct annual audits of the Fund, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) will be provided to investors on an annual basis. We generally will attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that this goal will be achieved. Qualified custodians will not provide statements directly to investors in the Fund.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We will have exclusive discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of the Fund, subject to the limitations set forth in the governing documents thereof.

LIMITED POWER OF ATTORNEY

Each investor generally will grant a limited power of attorney to the General Partner in order to take certain actions with respect to the Fund.

Item 17: Voting Client Securities

While we and/or our affiliates technically will have the authority to vote proxies on behalf of the Fund, the Fund will only invest in oil and natural gas properties, interests and assets. Accordingly, neither we nor any of our affiliates generally expect to be called upon to vote proxies with respect to securities owned by the Fund. Nevertheless, in the event that we or any of our affiliates are called upon to vote proxies, we will vote in accordance with proxy voting policies and procedures in our compliance manual. In general, our policy will be to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Fund, as determined by us or our affiliates. Copies of our proxy voting policy, together with information regarding how we have voted past proxies, will be made available to clients upon request.

Item 18: Financial Information

Not applicable.