

FIRM BROCHURE

SEP II INVESTMENT MANAGER, LLC

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This brochure provides information about the qualifications and business practices of SEP II Investment Manager, LLC. If you have any questions about the information contained in this brochure, please contact us at (713) 783-8000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “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/or governing documents that contain a description of the material terms relating to such investments, products or services.

Additional information about SEP II Investment Manager, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

MAY 5, 2014

Item 2: Material Changes

This is the initial Form ADV Part 2A for SEP II Investment Manager, LLC. We encourage all clients and investors to carefully review this document in its entirety.

The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control.

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FIRM DESCRIPTION

SEP II Investment Manager, LLC, a Delaware limited liability company (“SEP,” “we,” “us” or “our”), was organized in March of 2014. We provide investment management services to Sanchez Energy Partners II, LP, an affiliated private pooled investment vehicle (the “Fund”), primarily with respect to direct and/or indirect investments in oil and natural gas properties, assets and related interests (including equity securities). Our investment advice is 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.

PRINCIPAL OWNERS

Our principal owners are Antonio R. Sanchez, III, Eduardo A. Sanchez and Patricio D. Sanchez.

TYPES OF ADVISORY SERVICES

We provide investment management services to the Fund primarily with respect to direct and/or indirect investments in oil and natural gas properties, assets and related interests (including equity securities). The Fund’s investment objective focuses on targeting reserves and production growth through the acquisition, exploitation and development of onshore oil and gas assets in North America, with a secondary focus on midstream and oilfield services investment opportunities. In addition, the Fund may also enter into hedging contracts and utilize certain commodity hedging instruments in an attempt to reduce its sensitivity to oil and natural gas price volatility and mitigate interest rate risk. We have full discretionary power and authority with respect to the investment of the Fund’s assets, including the location, acquisition, management and liquidation of investments.

Pursuant to the terms of a management services agreement by and among Sanchez Oil & Gas Corporation, our affiliate (“SOG”) and the Fund, SOG provides certain management and general and administrative support services with respect to the Fund, including, without limitation, management and technical expertise and consulting services for the development and implementation of the operational and financial plans of the Fund and for strategic planning and decisions of the Fund, lease and land administration services, marketing, gas control and contract administration services. **See Item 10.**

We provide investment management services with respect to the Fund and not to any investors in the Fund, and no 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. Accordingly, we treat the Fund, and not any of the investors in the Fund, as our “client” for purposes of the Investment Advisers Act of 1940, as amended, 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 are made to the Fund, and not to the investors, and that necessary consents may be given by us on behalf of the Fund and its investors. **See Item 8.**

INVESTMENT RESTRICTIONS

We 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 the Fund. Investors are not permitted to impose restrictions or limitations on the management of the Fund.

ASSETS UNDER MANAGEMENT

As of May 5, 2014, we had \$0 in regulatory assets under management. All of the assets we manage will be managed on a discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our services, we are entitled to receive management fees and SEP II General Partner, LP, our affiliate who serves as the general partner of the Fund (“SEP II GP”), is entitled to receive carried interest distributions with respect to the Fund. In addition, each of the oil and gas properties held by the Fund or its subsidiaries will be subject to an overriding royalty interest for the benefit of SEP II GP, key employees of SOG and Wm Smith & Co. (“Wm Smith”), a broker dealer registered with the SEC that we engaged to introduce investors to the Fund. While such fees, carried interest distributions and overriding royalty interests are described in detail in the Fund’s governing and offering documents, a summary of these items are set forth below.

Management Fees

During the Fund’s investment period, each underlying investor in the Fund will pay to the Fund, and the Fund will pay to us, on the first business day of each calendar quarter in advance, a management fee equal to one-fourth of 2% per annum of the aggregate capital commitment of that underlying investor. Beginning with the first full calendar quarter after the expiration or termination of the Fund’s investment period, the management fee payable by each underlying investor will be equal to one-fourth of 2% per annum of funded capital commitments that are invested in projects. Management fees generally are deducted directly from any cash flow received by the Fund. In the unlikely event that an investor withdraws his or her investment before the end of the quarter, we will refund a pro rata percentage of the fee paid in advance.

Carried Interest Distributions

Carried interest distributions are distributed from time to time, in our discretion, out of the net cash flow of the Fund. Generally, distributions of available cash by the Fund will initially be allocated among the underlying Fund investors and SEP II GP pro rata in accordance with their respective capital commitments to the Fund at that time. Thereafter, amounts initially allocated to SEP II GP will be distributed to SEP II GP and amounts initially allocated to each underlying Fund investor will be reallocated between that underlying Fund investor, on the one hand, and SEP II GP, on the other hand, and distributed as follows:

- a) First, 100% to that underlying Fund investor, until it has received cumulative distributions equal to the aggregate capital contributions made by that investor;
- b) Second, 100% to that underlying Fund investor, until it has received cumulative distributions equal to a preferred return of 8% per annum, cumulative and compounding, on the amounts described in (a) above from the relevant drawdown due dates to the date of distribution;
- c) Third, 100% to SEP II GP as a carried interest distribution until it has received distributions equal to 20% of the aggregate amount distributed pursuant to clause (b) and this clause (c); and
- d) Thereafter, 20% to SEP II GP as a carried interest distribution and 80% to that underlying Fund investor.

Notwithstanding the foregoing, proceeds from temporary investments will be distributed among underlying Fund investors in proportion to their respective interests in such temporary investments, as determined by SEP II GP.

Carried interest distributions are re-allocated directly from the capital accounts of underlying Fund investors to SEP II GP’s capital account.

Overriding Royalty Interest

Generally, each oil and gas property held by the Fund or its subsidiaries will be subject to an overriding royalty interest for the benefit of SEP II GP, key employees of SOG and Wm Smith in an amount between 1% and 3% of the net revenue interests held by the Fund or its subsidiaries in such property.

The management fees, carried interest distributions and overriding royalty interests applicable with respect to the Fund generally are not negotiable.

OTHER FEES AND EXPENSES

In addition to the management fees, carried interest distributions and overriding royalty interest described above, the Fund bears all costs, expenses or charges incurred in connection with its day-to-day operations and any costs and expenses arising from or related to the retention, engagement or retainer of third party consultants, advisers, accountants, auditors and attorneys.

Also, pursuant to its management services agreement with SOG, the Fund will reimburse SOG for all expenses incurred by SEP, SEP II GP, SOG and their respective affiliates (together, the “SOG Entities”) in providing services to the Fund, including all direct costs and indirect administrative and overhead costs to be allocated to the Fund based on the amount of time spent on Fund matters by the SOG Entities, including for any such costs arising from amounts paid directly by affiliates of SOG on SOG’s behalf or borrowed by SOG Entities from any of their affiliates, in each case, in connection with the performance by the SOG Entities of services on the Fund’s behalf. **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, SEP II GP, our affiliate, is entitled to receive carried interest distributions with respect to the Fund. Carried interest distributions could motivate us 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 offering and governing documents of the Fund and this brochure and by strictly adhering to the investment strategy and program set forth in the offering documents of the Fund.

Item 7: Types of Clients

We only provide investment management services to the Fund, our affiliate and sole advisory client. The Fund requires a minimum initial subscription of \$1,000,000, although investments of lesser amounts may be accepted in our sole discretion.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Our primary objective for our sole client, the Fund, is to grow reserves and production through acquisition, exploitation and development of onshore oil and gas assets in North America, with a secondary focus on midstream and oilfield services investment opportunities. We intend to continue SOG's long tradition of disciplined investing in the oil and gas industry through buying, exploring, developing and operating quality assets so as to achieve superior returns for the Fund during all phases of the industry cycle.

We base the Fund's investments on the following core principles:

- Focus on upstream opportunities which require operational capabilities;
- Balanced approach of acquiring and exploiting as well as leasing and development;
- Investment process grounded in rigorous geologic, operational and financial due diligence;
- Drive returns through operational best practices;
- Conservative approach with regard to capital structure;
- Exploit the inherent cyclicity and volatility in the energy industry to maximize the potential for favorable and opportunistic exits; and
- Exploit the benefits of SOG's entrepreneurial culture.

We take a differentiated approach to creating value in the oil and gas sector for the Fund by leveraging SOG's operational platform and extensive oil and gas industry network to source, acquire, develop, operate and exit the Fund's investments, with a view towards enhancing returns and mitigating risk at every stage in the Fund's investment process, in the following ways:

- Sourcing: Leverage SOG's past in-depth geologic studies as well as our oil and gas network to identify proprietary opportunities and competitive angles;
- Evaluation: Conduct robust fundamental due diligence utilizing SOG's professional expertise;
- Asset Management: Manage assets to maximize potential value;
- Risk Management and Portfolio Monitoring: Actively utilize operational and financial risk mitigation techniques; and
- Exit: Maximize value through disciplined exit strategies.

For more information regarding our investment strategies and methods of analysis, please refer to the offering memorandum of the Fund. The foregoing summary is qualified in its entirety by the information contained in the Fund's offering documents.

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 involve a substantial degree of risk, including risk of the complete loss of an investor's investment in the Fund. 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 are 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 the Fund's investment strategies and processes. The following risks are qualified in their entirety by the risks set forth in the Fund's offering documents.

Leverage and Borrowing Risks. We expect that the Fund will borrow and otherwise incur leverage in connection with its investment activities. The use of borrowing and leverage will involve a high degree of risk. Because the use of leverage and borrowing will allow the Fund to control assets worth more than its investment in such assets, the

amount that the Fund may lose in the event of adverse valuation changes will be high in relation to the amount invested in such assets, which may adversely affect the Fund. In addition, the use of leverage by the Fund could (among other things):

- increase the vulnerability of the Fund to adverse economic and industry conditions;
- require the Fund to dedicate a substantial portion of its cash flow from operations to make payments on its indebtedness, thereby reducing the availability of cash flows to make distributions, fund capital expenditures and for other general corporate purposes;
- limit the flexibility of the Fund in planning for, or reacting to, changes in the oil and gas businesses; and
- place the Fund at a competitive disadvantage compared with competitors that have less debt.

Competition in the Oil and Natural Gas Industry. We encounter competition from other oil and natural gas companies in all areas of our operations, including the acquisition of exploratory prospects and proven properties. Securing leases or necessary permits and approvals for 3-D seismic shoots depends heavily on developing and maintaining favorable relationships with operators and regulatory bodies. Competitors include major integrated oil and natural gas companies and independent oil and natural gas companies, individuals and drilling and income programs. Most of the competitors are large, well-established companies with substantially larger operating staffs and significantly greater capital resources than SOG's and which, in most instances, have been engaged in the oil and natural gas business for a much longer time than SOG. Such companies may be able to pay more for oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties than the Fund can, given the Fund's limited resources. There can be no assurance that SEP or SOG will be able to secure the necessary financing or industry partners or evaluate and select suitable properties and consummate transactions in this highly competitive environment.

Demand for Oil and Gas. Our client's success is materially dependent upon the demand for oil and gas. The availability of a ready market for the Fund's oil and gas production depends on a number of factors beyond the Fund's control, including the demand for and supply of oil and gas, the availability of alternative energy sources, the proximity of reserves to, and the capacity of, oil and gas gathering systems, pipelines or trucking and terminal facilities. The Fund may also have to shut-in some of its wells temporarily due to a lack of market or adverse weather conditions including hurricanes. 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 the Fund's ability to produce and market its oil and natural gas on a profitable basis. Any significant change in the Fund'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.

Fluctuation of Oil and Gas Prices. We intend to use a substantial portion of the Fund's capital to acquire, develop and/or explore oil and gas properties, assets and interests located in North America. Accordingly, the Fund's success will be highly dependent upon the prices realized from the sale, exploration, development and optimization of oil and gas and a material decrease in such prices could have a material adverse effect on the Fund. Oil and gas prices can fluctuate significantly over a period of time in response to a variety of factors that are or may be beyond our control or the control of the Fund, SOG and/or their affiliates. Factors that contribute to price fluctuation may include, without limitation: political conditions in major oil and gas producing regions; worldwide economic conditions; weather conditions; the supply and price of domestic and foreign 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.

Operating Risks. Even if oil and 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, SEP, SOG and their affiliates. Operational risks include hazards such as fires, explosions, craterings, blowouts, uncontrollable flows of oil, 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 or its affiliates 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.

Acquisition Strategy. Our investment strategy for the Fund depends upon our ability to acquire, develop and explore oil and gas properties and assets. We may not be able to identify suitable acquisition opportunities or finance and complete any particular acquisition successfully. Furthermore, acquisitions involve a number of risks and challenges, including difficulty in estimating recoverable reserves, future production rates, operating costs, infrastructure requirements, environmental and other liabilities, and other factors beyond the our control. As a result, the Fund may not recover its investment in a property from the sale of production from the property, or may not recognize an acceptable return from investments it makes. Any of these factors could adversely affect the Fund's ability to achieve anticipated levels of cash flows from its investments or realize other anticipated benefits of investments.

Incorrect Reserve Assumptions. The value of the Fund's properties and assets will depend upon, among other things, the reserves attributable thereto. 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.

Hedging. We may seek to reduce the Fund's exposure to the volatility of oil and gas prices by actively hedging a portion of production. Hedging also may prevent the Fund from receiving the full advantage of increases in oil or gas prices above a fixed amount specified in the derivative instrument. In a typical hedge transaction, the Fund will have the right to receive from the counterparty the excess of the fixed price specified in the derivative instrument over a floating price based on a market index, multiplied by the quantity hedged. If the floating price exceeds the fixed price, the Fund will be required to pay the counterparty this difference multiplied by the quantity hedged even if the Fund has insufficient production to cover the quantities specified in the derivative instrument. Accordingly, if the Fund has less production than it has hedged when the floating price exceeds the fixed price, the Fund will be required to make payments against which there are no offsetting sales of production. If these payments become too large, the remainder of the Fund's business may be adversely affected. In addition, hedging agreements expose the Fund to the risk of financial loss if the counterparty to a hedging contract defaults on its contract obligations.

Depleting Assets. A significant portion of 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 operator, 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 we currently expect.

The Fund's properties and assets may never be developed and production may never occur. Even if production occurs, the Fund's investments will eventually cease to produce in commercial quantities and the Fund will, therefore, cease to receive any distributions of net proceeds therefrom.

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 gas industry (but there can be no assurance of this fact). The Fund's properties and assets may be subject to existing oil and gas leases, liens for current taxes and other burdens, including other mineral encumbrances and restrictions customary in the oil and gas industry, that should not materially interfere with the use or otherwise affect the value of such properties. However, we cannot guarantee that the Fund will have clear and unobstructed title to leases or other rights assigned to the Fund. We 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 Fund's investments. 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 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. SOG and other operators developing properties may not be able to obtain the financing necessary to commence or maintain operations on properties, and this could negatively impact the Fund.

Regulatory and Environmental Risks. Oil and 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 gas. In addition, the production, handling, storage, transportation and disposal of oil and gas, byproducts thereof and other substances and materials produced or used in connection with oil and 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 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 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, SEP, SOG and their affiliates 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, SOG or their affiliates.

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, we are unable to predict the total impact of the potential regulations upon the Fund’s business and operations, and it is possible that the Fund, SOG and/or other 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 we are successful in identifying, acquiring and developing marketable amounts of hydrocarbons, 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 or us. 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 properties. Moreover, a substantial portion of the Fund’s properties 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 the Fund’s ability to produce and market its oil and natural gas on a profitable basis. Any significant change in the Fund’s ability to produce and market its oil and natural gas production could have a material adverse effect on its 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 the Fund on pricing terms that will allow the Fund to economically produce and market any hydrocarbons located by the Fund.

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, cause instability in the global financial and energy markets. Terrorism, the war in Iraq, Afghanistan 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 operations of the Fund could be a direct target or an indirect casualty of an act of terror.

Counterparty Risks. The Fund will have exposure to different counterparties in the financial services industry, including commercial banks, investment banks, insurance companies, other investment funds, and other institutions. These transactions will expose the Fund to credit risk in the event of default of the counterparty. Deterioration in the credit markets may impact the credit ratings of potential counterparties and affect their ability to fulfill their existing obligations to the Fund and their willingness to enter into future transactions with the Fund. The Fund will have exposure to financial institutions in the form of derivative transactions in connection with its hedges, and insurance companies.

The Fund will be exposed to risk of financial loss from trade, joint venture, joint interest billing, and other receivables. The Fund will sell crude oil, gas and NGLs to a variety of purchasers. As operator, SEP and the Fund will pay expenses and bill its non-operating partners for their respective shares of costs. Some of the Fund's purchasers and non-operating partners and counterparties may experience liquidity problems and may not be able to meet their financial obligations. Nonperformance by a trade creditor or non-operating partner could result in significant financial losses.

Limited Diversification. The Fund invests primarily in oil and natural gas properties, assets and related interests. Consequently, the Fund investments are not diversified to any material extent. This limited diversification could expose the Fund to losses disproportionate to market movements in general.

Potential Conflicts of Interest. Actual and potential conflicts of interest exist between us, our affiliates and the Fund, and additional conflicts of interest may arise in the future.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUND'S INVESTMENT PROGRAM. 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

Neither our firm nor our management person has been found to have been involved in any material disciplinary events.

Item 10: Other Financial Industry Activities and Affiliations

We have, together with our affiliates SEP II GP and SOG, sponsored the formation and continued operation of our client, the Fund. SEP II GP serves as the general partner of the Fund and we serve as its investment manager. Both our firm and SEP II GP are controlled by SEP II Sanchez Holdings, LLC, an entity wholly owned and controlled by various members of the Sanchez family. Although the Sanchez family's ultimate control of the investment adviser and the general partner of the Fund may give them heightened control and discretion over the Fund, potential conflicts of interest are managed by their strict adherence to the investment strategy and policies set forth in the Fund's offering and governing documents. Potential conflicts of interest are also addressed through the Advisory Board review and approval process described below.

As described in Item 4 above, the Fund has entered into a management services agreement with SOG, its affiliate, pursuant to which SOG provides certain management and general and administrative support services with respect to the Fund. In addition, with respect to each portfolio property, the Fund will enter into an operating agreement with SOG whereby SOG, or a third-party operator with an ownership interest in the property engaged by SOG, will operate such property in the drilling and production phases of the Fund's operations in exchange for fees. Due to our relationship with SOG, we have an incentive to select it to serve as operator for the Fund's properties. We will make determinations regarding the selection of operators in a manner that is consistent with our fiduciary duties to the Fund.

In addition, SOG has previously sponsored the formation of two private equity funds, Sanchez Partners I, LP ("SEP I") and Sanchez Resources, LLC ("SR"). SEP Management I, LLC, a separate SEC registered investment adviser and an affiliate of our firm, serves as the general partner and investment manager of SEP I. In addition, Antonio R. Sanchez III, our principal and Chief Executive Officer is also a principal and the Chief Executive Officer of SEP Management I, LLC. The Fund has an investment strategy substantially similar to SEP I's investment strategy and our firm shares many of its investment team members with SEP Management I, LLC.

SR has been managed as a proprietary account of the Sanchez family since August 2013. It operates and develops both conventional oil assets as well as large acreage positions in the core of the Tuscaloosa Marine Shale.

Our general affiliation with SEP I, SEP Management I, LLC and SR, present actual and/or potential conflicts of interest. These conflicts are addressed in the ways set forth below.

Antonio R. Sanchez III also currently serves as Director and Chief Executive Officer of Sanchez Energy Corporation ("Sanchez Energy" and together with SEP I, SR and their respective affiliates, the "Other Entities") and many other members of our ownership and investment teams serve as directors and officers of Sanchez Energy. Sanchez Energy invests directly and/or indirectly in oil and natural gas properties, assets and related interests. Activities on behalf of Sanchez Energy by Mr. Sanchez and other members of our ownership and investment teams may present actual and/or potential conflicts of interest (including conflicting fiduciary duties).

Various actual and potential conflicts of interest exist among the SOG Entities, on the one hand, and the Fund and its underlying investors, on the other hand. As discussed above, the Other Entities are currently engaged in the oil and gas business and may be in competition with the Fund.

While we have attempted to summarize some of the conflicts of interest below, this is neither a complete list nor a full explanation of all potential conflicts of interest that might arise between the SOG Entities, the Other Entities and the Fund. We urge you to review the Fund's offering and governing documents for further information on actual and/or potential conflicts of interests. Some of the actual and/or potential conflicts of interests that may exist between the SOG Entities, the Other Entities and the Fund include:

- *Non-Exclusivity; Other Activities.* The SOG Entities manage other entities, some of which have objectives similar to those of the Fund. The SOG Entities may engage and hold interests in business ventures for their own account including, without limitation, other investment entities similar to the Fund, whether or not those business ventures are in direct or indirect competition with the Fund, and whether or not the Fund or any of the Fund's investors also have an interest therein, without having to account to the Fund or any underlying 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 underlying investor. Specific examples of these types of conflicts of interest include:

- The Fund may acquire assets owned by, or dispose of assets to, the SOG Entities, the Other Entities or their portfolio companies.
- The Fund may compete for acquisitions of producing properties with the SOG Entities, the Other Entities or their portfolio companies.
- The Fund may acquire assets owned by, or dispose of assets to, publicly-traded entities in which SOG's investment professionals have an equity ownership stake or have management roles.
- The Fund may acquire, own and dispose of a joint venture, working or other financial interest in a property in which the SOG Entities, their affiliates and the Other Entities have an equity ownership stake or have management roles.
- The Fund may acquire oilfield and other services or purchase goods and equipment from companies in which the SOG Entities, their affiliates and the Other Entities have an equity ownership stake or have management roles.
- SOG owes fiduciary and other duties to the Other Entities and their portfolio companies. Conflicts may arise between the duties of SOG to the Other Entities and its duties to the Fund.

There is no assurance that any of these potential conflicts will be resolved in favor of the Fund or its underlying investors. To the extent any of these potential conflicts are material, SEP II GP will disclose the conflicts to the Advisory Board's Conflicts Committee, both as defined and further described below, for review, advice and, in some instances, approval. The SOG Entities will generally be prohibited from purchasing properties or engaging in material transactions (other than joint operating agreements and similar relationships in the ordinary course of business) with the Other Entities or SOG's affiliates without approval of the Advisory Board.

- *Other Seismic Programs.* The SOG Entities may pursue additional seismic programs or other energy operations ("Other SOG Programs"), some of which may be near or adjacent to properties owned or leased by the Fund. In certain cases, the SOG Entities may pursue operations in such developments that may not be fully aligned with development of these properties, but instead may be more focused on development of properties in Other SOG Programs.
- *Allocation of Time.* The SOG Entities, and their employees, will each devote such time to the Fund's affairs as they determine to be reasonably necessary for the conduct of the business affairs of the Fund. However, the SOG Entities are not obligated to devote any specific amount of time to the affairs of the Fund. Because the SOG Entities have ongoing duties and obligations to the Other Entities, a portion of their time and attention will be devoted to such Other Entities.
- *Allocation of Investment Opportunities.* The SOG Entities will act in a manner that they consider fair, reasonable and equitable in allocating investment opportunities to the Fund but they are not required to accord exclusivity or priority to the Fund in the event of limited investment opportunities.

Except as set forth below with respect to the Eagle Ford Shale, in the event that the SOG Entities are presented with an investment opportunity that falls within the investment objective of the Fund and one or more of the Other Entities, such opportunities will be allocated among the Fund and such Other Entities on a basis that the SOG Entities determine in good faith to be fair and reasonable taking into account the sourcing of the transactions, the nature of the investment focus of each entity, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals for the Fund and each of the Other Entities and other considerations deemed relevant by the SOG Entities in good faith. There can be no assurance that any portion of a given investment opportunity will be apportioned to the Fund.

The SOG Entities are not required to present to the Fund or any underlying Fund investor any opportunity to participate or invest in any venture in which the SOG Entities or the Other Entities invest or participate.

The Investment Manager may provide co-investment opportunities to underlying Fund investors before making any such opportunities available to any other person. The SOG Entities and their affiliates who desire to co-invest alongside the Fund (i) must do so on substantially the same terms and conditions as the Fund, and (ii) must acquire and dispose of such co-investment at substantially the same time and for substantially the same price as the Fund.

We will not, on behalf of the Fund, invest in working interests in the Eagle Ford Shale without the prior written consent of Sanchez Energy's audit committee.

- *Expense Allocation.* As discussed in Item 5, the Fund will reimburse SOG for all expenses incurred by the SOG Entities in providing services to the Fund. The foregoing Fund expenses will not offset the management fee the Fund also pays to us. SOG will face a conflict of interest in determining the appropriate allocation of such costs as between the Fund and the Other Entities.

One way that we, together with SEP II GP, have attempted to address these conflicts of interests is through the establishment of an advisory board with respect to the Fund (the "Advisory Board") which will include a specific conflicts committee (the "Conflicts Committee"). The Conflicts Committee will be made up of at least three individuals who represent certain underlying Fund investors selected from time to time by SEP II GP. No member of the Conflicts Committee will be our affiliate. The Advisory Board will meet periodically to discuss and review various operational issues and concerns. Additionally, SEP II GP is required to submit the following conflicts of interest to the Conflicts Committee for its review and approval: (i) the acquisition of investments from, or the disposition of assets to the SOG Entities, the Other Entities or any of their respective affiliates; (ii) transactions between the Fund and any entity in which the SOG Entities, the Other Entities, any subsequent fund or any of their respective affiliates holds a position of control; (iii) any investment by the Fund in any entity in which the SOG Entities, the Other Entities, any subsequent fund or any of their respective affiliates owns an interest; or (iv) the Fund's investment in another investment fund that charges its partners a management fee and/or provides for a carried interest to the general partner of that fund; provided, however, any transaction or contract authorized pursuant to the Fund's operating agreement will not be deemed to be a conflict of interest requiring Conflicts Committee approval.

It should be noted, however, that the Conflict's Committee will not necessarily represent the interests of all of the underlying Fund investors and the Conflicts Committee itself may be subject to various actual and potential conflicts of interest.

To further address these conflicts of interests, and other conflicts of interest, we have adopted and implemented a Compliance Manual and Code of Ethics which sets forth the standards of business conduct that we expect from our supervised persons, SEP II GP and their respective affiliates. We also hope to address conflicts of interest through disclosure of those conflicts of interests both through this brochure and the offering documents of the Fund. There can be no assurance that we will be able to resolve all conflicts of interests between the SOG Entities, the Other Entities and the Fund in a manner that is favorable to the Fund and its underlying investors.

We currently share offices and certain administrative staff with Nilgai Capital Management, LLC, a private investment advisory firm that is managed and operated by Herman I. Silber ("Nilgai"). Nilgai is separately registered as an investment adviser with the Texas State Securities Board. While Antonio R. Sanchez III, our chief executive officer, currently owns an indirect minority equity interest in Nilgai, he is a passive owner and does not participate in its day-to-day management and operation. Nilgai is operated separately and independently from SEP.

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

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to the Fund, encourage employees 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 employees and the other conflicts of interests discussed in Item 10 above. Among other things, we impose restrictions on employees relating to the purchase or sale of certain securities for their own accounts and the accounts of certain affiliated persons. Employees are required to submit quarterly reports disclosing personal securities transactions in covered securities and annual reports disclosing personal holdings of covered securities. Such reports are reviewed by our Chief Compliance Officer or his designee. We also maintain certain policies and procedures designed to prevent employees and principals 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 the Fund, its underlying investors or any prospective investor upon request.

Our principals, employees and officers may buy or sell for the Fund's account securities in which those persons have a material financial interest. For example, as discussed in Item 10, a principal may buy securities or other investments from or sell securities or other investments to the Fund. These situations raise conflicts of interests because our principals, employees and officers are conflicted between their fiduciary duties to the Fund and their desire to make a profitable purchase or sell for their own account or the other account they are managing. To address these types of conflicts of interest, we submit the conflict to our Conflict Committee to review and approve the transaction before it is completed.

Our principals, employees, officers and affiliates invest in the same securities and other investments that we invest in for the Fund's account and they may do so at or about the same time that we invest in those securities on behalf of the Fund's account. This creates several conflicts of interest. For example, our affiliate's trade may have driven up the market price of the target security or investment. In addition, our affiliate may invest in a particular investment to such an extent that the investment opportunity is now minimal for the Fund. To the extent any of these potential conflicts are material, SEP II GP will disclose the conflicts to the Conflicts Committee, for review, advice and, in some instances, approval. Further, opportunities will generally be allocated among the Fund, our employees, principals, officers, affiliates and affiliated entities on a basis that we and our affiliates determine in good faith to be fair and reasonable taking into account the sourcing of the transactions, the nature of the investment focus of each entity, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals for the Fund and each of the other people and entities involved and other considerations we and our affiliates deem relevant in good faith. There can be no assurance that any portion of a given investment opportunity will be apportioned to the Fund.

Item 12: Brokerage Practices

BROKERAGE PRACTICES

We do not expect to be called upon to select or recommend broker-dealers or other counterparties to the Fund.

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

Our Chief Executive Officer conducts reviews of the Fund and its investments on at least a monthly basis. With respect to accounting matters, we have engaged an independent public accounting firm to conduct an annual audit of the Fund.

We provide investment advice primarily with respect to direct and/or indirect investments in oil and natural gas properties, assets and related interests (including equity securities). In monitoring the performance of the Fund and its investments, we perform various levels of review. Among other items, we may consider the following during our reviews: operating results of the Fund, the profitability and performance of individual oil and gas properties, periodic engineering reviews of oil and gas reserve values and reserve reports.

ADDITIONAL REVIEWS

While we generally conduct reviews of the Fund and its investments on at least a monthly basis, we may conduct additional or more frequent reviews under certain circumstances, including in the event a well is drilled or begins producing.

REPORTS TO INVESTORS

We generally provide investors in the Fund with the following written reports and information: (i) quarterly informal reports with respect to the Fund's investments and returns thereon and (ii) annual audited financial statements (prepared in accordance with generally accepted accounting principles).

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 non-advisory client for providing advisory services with respect to the Fund.

REFERRALS

We have engaged Wm Smith to serve as the primary placement agent for the Fund. Wm Smith's marketing activities with respect to the Fund are provided primarily by James Jeffs and John Kelly. As compensation for providing these services, Wm Smith generally receives a percentage of the management fees, carried interest payments and overriding royalty interest discussed in Item 5.

Item 15: Custody

While it is our practice not to accept or maintain physical possession of the Fund's assets, we are deemed to have custody of its assets because we and our affiliate, SEP II GP, have the authority to access the Fund's funds and deduct fees and expenses from its account.

Accordingly, the Fund's cash and securities are held with one or more qualified custodians (to the extent required by Rule 206(4)-2). We may change custodians at any time and from time to time without the consent of, or notice to, investors. In addition, an independent public accounting firm conducts annual audits of the Fund, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) are provided to investors on an annual basis. We generally provide such statements to investors within 120 days, as applicable, after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Fund.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We have 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 applicable governing documents of the Fund. While we have broad authority to select brokers and other counterparties on behalf of the Fund, we do not expect to be called upon to do so.

LIMITED POWER OF ATTORNEY

Each investor in the Fund generally grants us a limited power of attorney to enable us to execute the Fund's partnership agreement and certain other related documents on its behalf.

Item 17: Voting Client Securities

We generally have the authority to vote proxies on behalf of the Fund. In the event that we are called upon to vote proxies, we will vote proxies in accordance with proxy voting policies and procedures in our compliance manual. In general, proxy proposals, amendments, consents or resolutions are required to be voted in a manner that serves the best interests of the Fund, as determined in our discretion. We will attempt to identify all material conflicts of interest between our interests and those of the Fund and the investors. Where a material conflict of interest is identified, we generally will attempt to resolve the conflict before voting a proxy. We may determine not to vote proxies in respect of securities of an issuer if we determine that it would be in the Fund's overall best interest not to vote. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. Copies of our proxy voting policy, together with information regarding how we have voted past proxies, will be made available to the Fund, or any of its underlying investors, upon request.

Item 18: Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.