

**Form ADV Part 2A: Firm Brochure**

**Scout Energy Management LLC**

(SEC File Number: 801-78266)

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**This brochure provides information about the qualifications and business practices of Scout Energy Management LLC and its affiliates (collectively, “SEM” or the “Manager”). If you have any questions about the contents of this Brochure, please contact John Phelan.**

**Additional information about SEM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or SEM's website at: [www.scoutep.com](http://www.scoutep.com).**

**SEM and its relying advisers are registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.**

**This document is not an offer to sell, or solicitation of an offer to buy, any interest in any current or future SEM sponsored fund.**

## **Item 2 – Material Changes**

This item identifies and discusses material changes made to the Brochure since SEM's last update filed on January 3, 2024.

The material changes to the Brochure since January 2024 include (1) updated regulatory assets under management, (2) clarification of the reduced Management Fees offered by the Funds, and (3) a description of the General Partners' respective commitment to the Funds. In certain cases, amendments have been made to conform with disclosures generally contained in the offering documentation and governing documents for our Funds. We encourage all recipients of this Brochure to read it carefully in its entirety.

Currently, our Brochure may be requested without charge by contacting John Phelan, Chief Compliance Officer, at (469) 200-0853 or by emailing [info@scoutep.com](mailto:info@scoutep.com).

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#### Item 4 – Advisory Business

Scout Energy Management LLC (“SEM” or the “Manager”) was formed in 2011 and is owned and controlled by John D. Baschab, Todd A. Flott, and Jon C. Piot.

SEM serves as manager and provides discretionary advisory services to Scout Energy Partners I-A, LP, Scout Energy Partners I-B, LP, Scout Energy Partners II-A, LP, Scout Energy Partners II-B, LP, Scout Energy Partners III-A, LP, Scout Energy Partners III-B, LP, Scout Energy Partners IV-A, LP, Scout Energy Partners IV-B, LP, Scout Energy Partners V-A, LP, Scout Energy Partners V-B, LP, Scout Energy Partners Co-Invest V-A, LP, Scout Energy Partners Co-Invest V-B, LP, Scout Energy Partners Rangely Co-Invest V-A, LP, Scout Energy Partners Rangely Co-Invest V-B, LP, Scout Energy Partners VI-A, LP, and Scout Energy Partners VI-B, LP, all Delaware limited partnerships (each a “Fund” and together, the “Funds”). The Funds were formed to make direct investments in oil and gas assets and net profits interests in oil and gas assets located in the United States, and certain other energy-related assets as allowed in the respective Governing Fund Documents (defined below). SEM also engages in over-the-counter derivative transactions for commodity price risk management practices. SEM does not give advice with respect to other securities. SEM does not manage any assets on a non-discretionary basis.

SEM is also registered as an operator with the Texas Railroad Commission, Colorado Oil and Gas Conservation Commission, Oklahoma Corporation Commission, Kansas Corporation Commission, North Dakota Industrial Commission, Utah Division of Oil, Gas, and Mining, and Montana Board of Oil and Gas Conservation, which regulate oil and gas operations in the respective states in which SEM operates. As an operator, SEM directly oversees, operates and improves acquired assets through the life of the Funds. Day-to-day operations are managed by field-level staff employed by SEM. SEM may acquire assets managed by an independent operator, but SEM’s priority is operated properties. SEM seeks to increase returns through deliberate and thorough underwriting, operational improvements, production enhancement, in-fill development, and some scale economics.

As manager of the Funds, SEM provides management and administrative services to the Funds, including investigating, analyzing, structuring, and negotiating potential acquisitions of properties, monitoring the performance of such properties, and advising the Funds as to disposition opportunities. However, Fund investment decisions are made by the Funds’ general partners, Scout Energy Group I, LP, Scout Energy Group II, LP, Scout Energy Group III, LP, Scout Energy Group IV, LP, Scout Energy Group V, LP, Scout Energy Group Co-Invest V, LP, Scout Energy Group Rangely Co-Invest V, LP, and Scout Energy Group VI, LP (collectively the “General Partners”), which are affiliates and relying advisers of the Manager.

Investment advice is provided directly to the Funds and not tailored individually to the limited partners of the Funds (the “Investors” or “Limited Partners”). SEM manages the assets of the Funds in accordance with the terms of each Fund’s individual limited partnership agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated.

The Investors may not restrict investments by the Funds in any capacity beyond the Governing Fund Documents, and except in limited circumstances, Limited Partners are not permitted to withdraw from a Fund prior to the Fund’s dissolution.

Equity interests in the Funds (the “Interests”) are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, the Interests in the Funds do not have the benefit of the protections afforded by the Investment Company Act to investors in registered investment companies or more highly regulated investment funds. All equity interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, in private transactions pursuant to exemptions available under the Securities Act within the United States.

As of December 31, 2023, SEM managed approximately \$2.02 billion of assets on a discretionary basis.

## Item 5 – Fees and Compensation

The management fees payable to SEM and/or its affiliates (“Management Fees”) are determined pursuant to the Governing Fund Documents and are deducted from each of the Funds. Generally, Management Fees range between one and a half percent (1.5%) of capital commitments during the Fund’s investment period and one and a half percent (1.5%) of net invested capital during the secondary period following the investment period. Four (4) Funds offer reduced Management Fees in the secondary period of one and one quarter (1.25%) of net invested capital for Limited Partners admitted into the applicable Fund prior to a predetermined admission date and two (2) Funds offers reduced Management Fees in the secondary period of one and one quarter percent (1.25%) of net invested capital for Limited Partners admitted into the applicable Fund prior to a predetermined admission date or if such Limited Partner exceeds a predetermined capital commitment, or in the event a Limited Partner meets both criteria, such Limited Partner will receive an additional reduction of one tenth of one percent (.10%). The Riviera Co-Investment is offered on a no-Management Fee basis to Limited Partners that are admitted in the corresponding primary Fund and one percent (1%) of capital commitments for other investors. The Management Fee for Limited Partners in the Rangely Co-Investment is one percent (1%) of capital commitments. The Funds are closed-end funds without withdrawal rights, but any unearned fees paid in advance are returned pro rata as applicable. Fees are generally paid quarterly. Investors should refer to the private placement memorandum or other Governing Fund Documents of the applicable Fund for additional information regarding fees and restrictions. The information contained herein is a summary only and is qualified in its entirety by such documents.

Each Fund will bear all legal and other expenses incurred in the formation of the Fund and the offering of the interests therein up to a cap set forth in the Governing Fund Documents.

To the extent any operating costs (other than Management Fees) or other costs are attributable to the Fund and any of the related investment funds or a successor fund, such costs shall be allocated in a manner consistent with the provisions of the Governing Fund Documents and SEM’s expense allocation policy (the “Partnership Allocation”). Fund expenses applicable to more than one Fund are allocated among the Funds as reasonably determined in the good faith judgment of SEM and its affiliates, generally based on the Funds’ respective revenues.

Generally, fees and expenses paid by the partnerships include the Management Fee, Organizational Expenses and operating costs, which, for each respective partnership include the costs, expenses, and liabilities that in the good faith judgment of the General Partner are incurred by or arise out of the operations of the partnership; the fees and expenses relating to consummated portfolio investments, proposed but unconsummated investments, and temporary investments, including the evaluation, appraisal, diligence, structuring, acquisition, development, financing, monitoring, holding and disposition thereof, and ESG services in connection therewith, and any broken-deal fees and expenses, to the extent that such fees and expenses are not otherwise reimbursed by any third person; expenses in connection with the organization of any alternative investment fund or feeder fund; premiums for insurance protecting the portfolio investments, the Fund and any Covered Persons from liabilities to third persons in connection with affairs of the partnerships (including directors and officers insurance and/or errors and omissions liability insurance premiums); legal, custodial and accounting expenses, including expenses associated with the preparation of the partnerships’ financial statements, tax returns and Schedule K-1s and the representation of the partnerships or the partners by the partnership representative; auditing, banking, engineering, surveying, geological, geophysical, consulting (including ESG consultants) and investment related brokerage or finder’s fees and expenses; appraisal expenses; expenses related to organizing persons through or in which portfolio investments may be made; expenses of the advisory committees; costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles; taxes and other governmental charges, fees and duties payable by the Funds; all external legal, compliance, accounting, auditing, administration, technology-related, servicing, travel and litigation expenses; expenses attributable to the partnerships’ indemnification obligations (including the costs of any insurance for such costs and expenses); damages or other expenses payable by the Fund pursuant to the applicable Governing Fund Documents; costs of reporting to the partners and of the annual meeting; data management, technology related, accounting and books and records software used in connection with the

partnerships; costs related to the annual investor meeting; expenses related to the registration, qualification, administration or exemption of the partnerships under any applicable law; regulatory and compliance expenses related to the partnerships (e.g., expenses related to Form PF, Regulation D filings, “blue sky” filings and any similar foreign filings or reports required under applicable law, but excluding compliance costs which shall be borne by SEM); expenses incurred in connection with the energy, sustainability and ESG-related programs and initiatives with respect to the partnerships; expenses related to any governmental inquiry, investigation audit or proceeding involving a partnership, except in the case of a disqualifying conduct; and costs of winding up and liquidating the partnerships; but not including Organizational Expenses or Manager Expenses (both as defined in the Fund Governing Documents). It is also understood that the Fund will bear directly or indirectly up to their respective *pro rata* portions of the allocated expenses of SEM and its affiliates with respect to the provision of engineering, surveying, geological, geophysical, accounting and legal services or field level expenses by their respective personnel or by retaining the services of third parties to the extent related to portfolio investments or proposed but unconsummated investments or otherwise in conformance with the immediately preceding sentence, excluding, however, the salaries (or other compensation received as an employee or consultant) of certain officers of the Funds.

All corporate office oil and gas operating personnel costs including salary, benefits, market bonuses, and office expenses are considered operating costs except in the case where the cost can be allocated to a direct field AFE. These costs include engineering, geological, geophysical, accounting, land and legal services. Except when direct billed through an AFE the costs of such personnel are totaled and run through the applicable Partnership Allocation. These costs include, but are not limited to, product marketing personnel, human resources, technology, general and administrative costs, audit, legal, insurance, fund staff salaries, etc. Where possible expenses are billed directly to the Fund or Funds which incur the expense.

SEM's fees are generally not negotiable, and investors should review all fees charged by SEM and its affiliates to fully understand the total amount of fees to be paid by a Fund.

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

A portion of each Fund's operating cash flow is to be allocated to the capital account of its General Partner as a “carried interest.” The manner of calculation of such carried interest is disclosed in the Governing Fund Documents. The carried interest is only earned after threshold performance levels are met. The carried interest ranges from 5% to 15% of operating cash flow, as defined by the Governing Fund Documents, and is limited to 15% of cumulative profits and is subject to a clawback. The carried interest is calculated annually and may be paid annually if hurdles outlined in the Governing Fund Documents are met.

Carried interest is subject to regulation under Section 205 of the Advisers Act and Rule 205-3 thereunder. Therefore, SEM seeks to ensure that any investors in any Fund that are directly or indirectly assessed such performance-based allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such performance-based allocations arrangements and their risks.

The fact that a significant portion of the General Partner's compensation (and its affiliates' and investment professionals' compensation) is directly computed on the basis of the operating cash flow generated by income produced by, and the sale or disposition of, Fund assets may create an incentive for the General Partner to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. However, this incentive may be mitigated by the fact that losses will reduce a Fund's performance and thus the General Partner's compensation.

All discussion of the Funds in this Brochure, including but not limited to the compensation and fees in connection with the management of the Funds are qualified in their entirety by reference to each Fund's respective Governing Fund Documents.

## **Item 7 – Types of Clients**

SEM provides discretionary management and advisory services directly to the Funds, which are pooled investment vehicles exempt from registration under the Investment Company Act, subject to the direction and control of the General Partner of each Fund, and not individually to the Limited Partners. Investors in the Funds may include, but are not limited to, pension plans, endowments, foundations, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, high net worth individuals, accredited investors and corporate or business entities.

The minimum commitment for a Limited Partner is outlined in the Governing Fund Documents; however, the General Partner maintains discretion to accept less than the minimum investment threshold.

In addition, the Funds may enter into separate agreements, commonly referred to as “side letters” with certain Investors. Side letters waive certain terms or allow such Investors to invest on different terms including idiosyncratic and non-economic issues. Pursuant to the terms of the Governing Fund Documents, except as otherwise provided in the Governing Fund Documents and to the extent reasonably applicable to such other Investors, all side letter provisions are shared with all other Investors in the relevant Fund and each Investor is allowed to select any such provision from which it may benefit.

Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and a “qualified client” as defined in Rule 205-3 of the Advisers Act. Also, Investors will be required to make certain representations when investing in a Fund, including, but not limited to that (i) it is acquiring an interest for its own account, (ii) it received or had access to all information it deemed relevant to evaluate the merits and risks of the prospective investment, and (iii) it has the ability to bear the economic risk of an investment in the Fund. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

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

The Manager seeks to acquire quality, mid-market, upstream oil and gas, mature producing assets. Further, the Manager focuses on acquiring high-PDP, mature producing conventional properties, with some exploitation potential. The Manager prefers acquiring operated assets due to the General Partner’s in-house expertise in improving production and costs. The Manager will seek to drive increased returns through operational improvements and scale economics. As such, the Manager will employ highly experienced professionals and intends to focus on acquisition opportunities in the continental United States.

The managers of the General Partner and the Manager have built, documented, and employed a rigorous asset sourcing, diligence, and pricing process from proven techniques that they have employed since inception of the Firm. The managers of the General Partner and the Manager have also designed, coded, and implemented a proprietary software system that systematically identifies and prioritizes the highest potential non-marketed assets. Based on their experience, the managers of the General Partner and the Manager believe the mid-market oil and gas space provides compelling investment opportunities.

The Manager will establish a conservative hurdle rate for additional capital investment for production development. The Manager does not have a preference for oil or gas. When making an investment in an asset, the Manager will evaluate the quality of such asset, the Manager’s ability to improve the performance of such asset and such asset’s consistency with the Funds’ strategy.

The Manager has established a comprehensive, rigorous and proprietary asset due diligence process and conducts the majority of due diligence work using resources of the Manager and its affiliates. The process includes steps to evaluate the quality of the asset production, bottom-up economic modeling, and production history validation as well as accounting, environmental, staff and facilities evaluation. In certain scenarios or property types the Manager may use the help of third-party engineering or geological expertise (e.g. complex waterflood environment). The Manager has a significant amount of engineering and asset

diligence experience and anticipates only minor engagement of outside engineering / geology / diligence consultants.

The majority of outside consultants will consist of legal counsel and environmental consultants for Phase I and Phase II environmental lease surveys (to quantify any existing environmental issues) during the due diligence phase of acquisitions.

The Manager's valuation of potential acquisitions follows a rigorous, data-driven and proprietary process, developed by the managers of the Manager since inception of the Firm, and customized by the Manager for mid-market assets.

#### Associated Risks

All investing involves a risk of loss and the investment strategy offered by SEM and the Funds could lose money over short or even long periods. An investment in the Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that Limited Partners will receive a return of their capital. An Investor in a Fund should be able to hold the investment for an indefinite time and be financially able to bear the total loss of the investment. In making a determination to invest in the Fund, a prospective investor should be aware of certain considerations and risks, including the risk factors described below.

#### Industry Concentration and Diversification

Because the Funds' investments are concentrated within a particular industry or related group of industries (the energy sector), an investment in the Funds may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of industries. The aggregate return on a Limited Partner's investment in a Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

#### Lack of Liquidity

The Interests in the Funds have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the Interests, and none is expected to develop. In addition, the Interests are not transferable except with the consent of the General Partner, which generally may be withheld by the General Partner in its sole discretion and are subject to the terms and conditions of the Governing Fund Documents. Limited Partners generally may not withdraw capital from the Fund. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of a Fund's term.

#### General Economic Conditions

General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, the price of securities, inflation, and participation by other investors in the financial markets may affect the value and number of investments made by the Funds or considered for prospective investment.

#### Certain Interests May Be Leveraged

An investment in certain Funds may be leveraged. The General Partner intends to employ leverage at the acquisition finance and project entity levels with respect to some or all fund investments. Such leverage will be nonrecourse with respect to the Fund and will be in reasonable amounts relative to the applicable investment's asset base and cash flow. While this leverage component is intended to enhance the equity returns to the investors, Fund's ability to meet its debt obligations depends on future performance. If the assets of the Fund are insufficient to service the leverage requirements, the General Partner may recall



distributions previously made to the Limited Partners (subject to certain limitations set forth in the respective Governing Fund Documents) or an event of default could occur under the terms of the debt, subject to cure. In the event of such a default, an investor could risk losing its entire investment in the Fund.

#### Commodity Prices

Prices for oil and natural gas are subject to large fluctuations in response to global changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the General Partners', the Manager's or the Funds' control. These factors include, but are not limited to, weather conditions in the United States, the condition of the United States economy, political stability in the Middle East, Russia and elsewhere, the foreign supply of oil and gas, the price of foreign oil imports, the availability of alternate fuel sources, and transportation interruption. Any substantial and extended decline in the price of oil or gas would have an adverse effect on the value of the Funds' reserves and its revenues, profitability, and cash flows from operations. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

#### Operating Risks

The operation of oil and gas properties is subject to numerous risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes, and environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, and suspension of operations. The Funds' operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs, and other environmental damages. The Funds could be liable for environmental damages caused by previous property owners and operators. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on the Funds' financial condition and results of operations. The Manager will seek to maintain insurance coverage for its operations, including limited coverage for sudden environmental damages, but insurance coverage for environmental damages that occur over time or insurance coverage for the full potential liability that could be caused by sudden environmental damages may not be available at a reasonable cost, and the Funds may be subject to liability or may lose substantial portions of its properties in the event of certain environmental damages.

#### Demand for Oil and Gas

The Funds' success is materially dependent upon the demand for oil and gas. The availability of a ready market for the Funds' oil and gas production depends on a number of factors beyond the General Partners', the Manager's or the Funds' 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 Funds 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 Funds' ability to produce and market its oil and natural gas on a profitable basis. Any significant change in the Funds' ability to produce and market its oil and natural gas production could have a material adverse effect on the Funds' financial condition and results of operations.

#### Drilling Risks

The revenues and operating results of the Funds will be dependent, in part, upon the success of the Funds' exploitation, development, and drilling activities. These oil and gas activities involve numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The timing and cost of drilling, completing and operating wells is often uncertain, and drilling operations may be

curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, and shortages or delays in the availability of drilling rigs and the delivery of equipment.

#### Unforeseen Risks

The Funds may be subject to unforeseen risks, including political events, war, terrorism, fraud, acts of God, fire, flood, earthquakes, and outbreaks of an infectious disease, pandemic or any other serious public health concern (including the novel strain of coronavirus, designated COVID-19, first reported in Wuhan, China in December 2019). While SEM maintains a business continuity plan intended to safely continue corporate and field operations during such times, these unforeseen risks may have a negative effect on global, national and/or regional economies, commodity pricing and/or performance of the Funds' investments.

#### Hedging

The Funds may seek to reduce exposure to the volatility of oil and gas prices by actively hedging a portion of production. Certain types of hedging contracts could prevent the Funds from receiving the full advantage of increases in oil or gas prices above the fixed amount specified in the hedge agreement. In a typical hedge transaction, a Fund has the right to receive from the hedge counterparty the excess of the fixed price specified in the hedge agreement over a floating price based on a market index, multiplied by the quantity hedged. If the floating price exceeds the fixed price, the Fund must pay the counterparty this difference multiplied by the quantity hedged even if the Fund had insufficient production to cover the quantities specified in the hedge agreement. Accordingly, if a Fund has less production than it has hedged when the floating price exceeds the fixed price, the Fund must 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. The Funds will not engage in speculative hedging, i.e. hedging quantities greater than expected to be produced.

#### Absence of Regulatory Oversight

While each Fund may be considered similar in some ways to an investment company, it is not required and does not intend to register as such under the Investment Company Act and, accordingly, Limited Partners are not accorded the protections of the Investment Company Act.

#### Taxation

Investments in properties in the energy sector may be subject to numerous taxes and fees by the jurisdictions in which such companies are organized or operate. Partnerships engaged in oil and natural gas operations or having substantial real property holdings, in particular, may be subject to specific tax regimes, such as petroleum revenue taxes, fees for drilling rights and exploration licenses, oil production fees, real estate taxes, and stamp duties.

#### Environmental Liabilities

The oil and gas business is subject to environmental hazards, such as oil spills, gas leaks and ruptures and discharges of petroleum products and hazardous substances, and historic disposal activities. These environmental hazards could expose the Funds to material liabilities for property damages, personal injuries or other environmental harm, including costs of investigating and remediating contaminated properties. In addition, the Funds also may be strictly liable under state or federal laws for environmental damages caused by the previous owners or operators of properties it purchases, without regard to fault. A variety of stringent federal, state, and local laws and regulations govern the environmental aspects of the oil and gas business. Any noncompliance with these laws and regulations could subject the Funds to material administrative, civil or criminal penalties, or other liabilities. Additionally, compliance with these laws may, from time to time,

result in increased costs of operations or decreased production, and may affect acquisition costs.

#### Financial System Disruption

SEM and its clients are dependent on unaffiliated financial industry participants including banks and other financial institutions to conduct their business. A disruption or shock in the financial industry or markets (as last occurred in the first quarter of 2023 with multiple banks entering receivership or otherwise seeking assistance) (such disruption or shock being a “Financial Disruption Event”) could adversely affect any of these financial industry participants, which in turn could have material adverse consequences for SEM and its clients. The severity of this risk could be increased by any exclusive arrangements entered into with these financial industry participants.

A Financial Disruption Event affecting a bank or financial institution that has custody of client assets could adversely impact the safekeeping of those assets and the ability to retrieve and secure such assets. The affected client may experience delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets.

If SEM or an affiliate has a banking relationship (for example, a payroll account) with a bank or financial institution that experiences a Financial Disruption Event, our ability to manage or operate consistent with past business practices could be negatively impacted, potentially resulting in a disruption in operations.

Many of our clients are structured as commitment vehicles. To the extent that a significant number of the limited partners or investors in such funds have banking relationships with a bank or financial institution that experiences a Financial Disruption Event, those limited partners may be unable to satisfy their capital contribution obligations in a timely manner. Such situations could result in losses and other disruptions to our clients and, ultimately, losses to investors.

#### Legal and Regulatory Risks

Legal and regulatory changes (including new interpretations of existing laws and regulations) could occur during the term of a Fund that may adversely affect such Fund’s performance. The regulatory environment for private investment funds continues to evolve, and changes in the regulation of private investment funds may adversely affect the value of investments held by a Fund; increased scrutiny and legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on SEM and may divert time and attention from portfolio management activities.

#### **Item 9 – Disciplinary Information**

Neither SEM nor its employees have been involved in any legal or disciplinary events in the past 10 years that would-be material to a client’s evaluation of the Manager’s business or the integrity of its management.

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

SEM has no other financial industry activities or affiliations. SEM has no relationships or arrangements with “related persons” i.e. broker-dealers, investment companies, banks, consultants, accountants, lawyers, etc. regarding our advisory services.

The principals of SEM organized and sponsored the Funds, which are private investment companies. These pooled investment vehicles managed by SEM are controlled by the General Partner. The General Partner and the Manager will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities.

Investors should be aware that there are and will likely be occasions where the General Partner and its affiliates encounter potential conflicts of interest in connection with the Funds’ activities. The Manager, the General Partner, and their affiliates are and will likely engage in activities involving the energy industry

including financial advisory activities and investment activities that are independent from, and are and will likely conflict with, that of the Funds. In the future, there will likely be instances where the interests of the Manager, the General Partner, and their affiliates conflict with the interest of the Funds and its Investors. Also, as a result of existing investments and activities, the SEM investment team and their affiliates are and are likely to, from time to time, acquire confidential information that they will not be able to use for the benefit of the Funds. Potential conflicts of interest & outside business activities must be disclosed to the Firm's Chief Compliance Officer.

The Funds are and will likely be subject to certain conflicts of interest arising out of its relationship with the General Partner and its affiliates. Certain provisions of the Governing Fund Documents are designed to protect the interests of the Limited Partners in situations where conflicts may exist, and the respective Limited Partner Advisory Committee will be consulted on transactions involving conflicts of interest, although these provisions do not eliminate such conflicts of interest. The agreements and arrangements among the Fund, the General Partner, the Manager, and their respective affiliates, including those relating to compensation, have been established by the General Partner and are not the result of arm's length negotiations.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

As a registered investment advisor, SEM has its supervised employees sign a Compliance Manual acknowledgement, which includes a Code of Ethics and addresses compliance with rules and regulations, avoiding conflicts of interest and actions regarding material, non-public information, and the tracking of personal security transactions. The Manager requires its employees to act in the Funds' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Copies of the Code of Ethics are available upon request.

The managers of the General Partner and the Manager are prohibited from making investments that compete with, or are in conflict with, the Funds' investment strategy, subject to certain limited exceptions. The Funds provide annual disclosure to their respective Limited Partner Advisory Committee of any investments made by managers of the General Partner or entities that they control that may be reasonably determined to fall within the investment objectives of the Funds, subject to certain limited exceptions.

Limited Partners of each Fund are represented by a Limited Partner Advisory Committee of such Fund. The Funds plan to conduct annual Limited Partner Advisory Committee meetings and annual meetings of the Limited Partners. Each Limited Partner Advisory Committee is composed of representatives of limited partner institutional investors of such Fund.

Pursuant to the Governing Fund Documents, the General Partners' respective commitments are comprised of a capital commitment to the applicable Fund equal to one percent (1%) of such Fund's total commitments and an obligation to directly fund a portion of the purchase price of each oil and gas property to be purchased by such Fund in an amount equal to two percent (2%) of the acquisition cost of such oil and gas property. Therefore, each General Partner has a direct interest in the assets held by its corresponding Funds and consequently in transactions made by the Manager's clients. In addition, from time to time, a Fund may pursue and consummate purchase and sale transactions for oil and gas properties with another Fund. Given the General Partners' commitment structure described above, certain General Partners will therefore directly participate in such transactions made by the Manager's clients. With respect to each such transaction, the consent of each applicable Fund's Limited Partner Advisory Committee would be obtained as may be required under the Governing Fund Documents.

#### **Item 12 – Brokerage Practices**

Each Fund purchases and divests of oil and gas interests or net profits interests in oil and gas assets. The Governing Fund Documents with respect to each Fund do not preclude the General Partner or the Manager

from engaging such brokers as it determines are in the best interests of such Fund for purposes of the transaction, or limits the amount of fees paid in connection with such engagement. In the event the Manager was to engage such a broker, the Manager would select such third-party broker based on his, her or its overall qualifications and negotiate a reasonable fee arrangement in the context of the particular transaction. The Manager's authority to acquire oil and gas interests or to pay any commissions or other broker fees associated with such acquisitions is subject to such limits set forth in the applicable Governing Fund Documents.

The Manager focuses on making investments in private securities, and does not ordinarily deal with any financial intermediary such as a broker-dealer; therefore, commissions are not ordinarily payable in connection with such investments except for commodity hedges. To the limited extent the Manager transacts in public securities, or other non-private equity investments (e.g., commodity hedging), the Manager will seek to obtain best execution. The Manager will select brokers based upon the broker's ability to provide best execution for the Funds. The Manager and/or the General Partner are generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of its Investors: (1) which investments, securities, or other instruments to buy or sell; (2) the total amount of investments, securities, or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

### **Item 13 – Review of Accounts**

Reviews of the Funds' investments, dispositions, valuations and other information are generally made no less frequently than quarterly by John Baschab, Todd Flott, and Jon Piot or any other investment professional they may so designate. Accounts are generally reviewed quarterly. Additional reviews may be triggered by material changes.

The General Partner provides each Limited Partner of the Funds with the following reports in accordance with the terms of the applicable Governing Fund Documents: (i) audited annual financial statements; (ii) unaudited quarterly financial statements; (iii) individual capital account statements on a quarterly basis; and (iv) annual tax information necessary to complete any applicable tax returns. The General Partner also holds annual meetings with the Limited Partners of the Funds.

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

The Manager does not receive monetary compensation or any other economic benefit from a non-client for the Manager's provision of investment advisory services to a client. The Manager does not compensate any third party for client referrals.

### **Item 15 – Custody**

The Manager is deemed to have custody of client funds and securities, within the meaning of the Advisers Act, since an affiliate serves as the general partner of each Fund. The Manager relies on an exception (available to pooled investment vehicles) from the reporting and surprise audit obligations imposed by the SEC custody rule. As such, all client assets are held by qualified custodians that are unaffiliated broker/dealers or banks; however, the Manager has access to client accounts. Additionally, the Funds are audited on an annual basis by a PCAOB (Public Company Accounting Oversight Board)-registered independent accounting firm in accordance with generally accepted accounting principles (GAAP) and the financial statements are distributed to each Limited Partner within 120 days of each Fund's fiscal year end. Limited Partners should carefully review these statements and should compare these statements to any account information provided by the Manager.

### **Item 16 – Investment Discretion**

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction

and control of the General Partner of each Fund, the Manager generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the investments and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

#### **Item 17 – Voting Client Securities**

The Funds invest in oil and gas assets or net profits interests directly and the Manager operates those assets on behalf of the Funds. Except for hedging, the Manager only expects to hold publicly traded securities in rare circumstances as a result of an acquisition of an oil and gas operator. The Manager intends to liquidate any public securities it acquires as soon as possible after such acquisition.

In the event proxies have to be voted, the Manager will be responsible for voting proxies on behalf of the Funds. The Manager will vote client proxies in a way that it believes will maximize shareholder value. The Manager's investment professionals are generally responsible for making voting decisions with respect to proxies received. A copy of the Firm's policies and procedures for voting proxies is available upon request by contacting the Firm's Chief Compliance Officer.

In exercising its voting discretion, the Manager and its employees will seek to avoid any direct or indirect conflict of interest raised by such voting decision. All conflicts of interest will be resolved in the interests of the Funds. In situations where the Manager perceives a material conflict of interest, it may defer to the voting recommendation of an independent third-party provider of proxy services or take such other action in good faith which would protect the interests of the Funds.

#### **Item 18 – Financial Information**

A balance sheet is not required to be provided as the Manager (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years. There is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to the Funds.