

Constellation Energy Partners LLC
 Form 4
 April 02, 2014

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 SANCHEZ ANTONIO R III

2. Issuer Name and Ticker or Trading Symbol
 Constellation Energy Partners LLC [CEP]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)

Director 10% Owner
 Officer (give title below) Other (specify below)

1111 BAGBY STREET, SUITE 1800

03/31/2014

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

HOUSTON, TX 77002

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Class A Units	03/31/2014		D ⁽¹⁾	1,130,512	D \$ 1.38 0	I	See footnote (2)
Class A Units	03/31/2014		P ⁽¹⁾	484,505	A \$ 1.69 484,505	I	See footnote (2)
Common Units (Class B Units)	03/31/2014		P ⁽¹⁾	414,938	A \$ 2.41 5,139,345	I	See footnote (2)

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
Settlement Agreement (obligation to purchase)	\$ 2.41	03/31/2014		J ⁽³⁾ (4)	1	12/15/2014 ⁽⁵⁾ (6) 12/15/2014 ⁽⁵⁾ (6)	Class B Units 5,9

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SANCHEZ ANTONIO R III 1111 BAGBY STREET, SUITE 1800 HOUSTON, TX 77002	X	X		

Signatures

/s/ Antonio R. Sanchez, III 04/02/2014

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) On March 31, 2014, Sanchez Energy Partners I, LP ("SEPI") entered into a settlement agreement (the "Settlement Agreement") with Constellation Energy Partners Management, LLC ("CEPM"), Constellation Energy Partners LLC ("CEP") and the other parties thereto, under which (i) SEPI and CEP agreed to rescind the August 9, 2013 purchase of Class A Units by SEPI, with the associated proceeds to be refunded by CEP to SEPI, (ii) CEPM agreed to transfer to SEPI 484,505 Class A Units and (iii) SEPI agreed to purchase 414,938

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Class B Units from CEPM.

These securities are owned directly by SEPI. SEPI is controlled by its general partner, SEP Management I, LLC, which is a wholly-owned subsidiary of Sanchez Oil & Gas Corporation. Sanchez Oil & Gas Corporation is managed by A.R. Sanchez, Jr. and

- (2) Antonio R. Sanchez, III. Antonio R. Sanchez, III shares voting and dispositive power over the shares controlled by SEPI. Antonio R. Sanchez, III disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein, and the inclusion of these securities in this report shall not be deemed an admission of beneficial ownership of all of the reported securities for purposes of Section 16 or any other purpose.

Subject to the terms of the Settlement Agreement, CEPM is required to pursue sales of all of its Class B Units (the "Subject Units"). As further described in footnotes (5), (6), (7) and (8) below, (i) SEPI is required to make a deficiency payment to CEPM if, as of December 15, 2014 or, if earlier, after the sale of all Subject Units after the passage of the six-month anniversary of the consummation of all of the transactions contemplated by footnote (1) and the dismissal of the related lawsuit (as it may be extended, the "Determination Date"), the aggregate amount actually received by CEPM from the sales of the Subject Units pursuant to the Settlement Agreement (the "Actual Proceeds") are less than the Subject Unit Target Proceeds (as defined in footnote (5)), and (ii) CEPM is required to share any excess proceeds and/or Subject Units with SEPI if the Actual Proceeds exceed the Subject Unit Target Proceeds as of the Determination Date.

- (3) Before the passage of the six-month anniversary of the consummation of all the transactions contemplated by footnote (1) and the dismissal of the related lawsuit, in no event may the number of Subject Units disposed of (and/or contracted or committed to be disposed of) or the proceeds from all sales of (and/or contracts or commitments from all sales of) Subject Units exceed, in the aggregate, 95% of either the Subject Units or the Subject Unit Target Proceeds.

Under the Settlement Agreement, on the earlier of (i) December 29, 2014 or (ii) 14 days after the date of sale of the last Subject Unit held by CEPM, but in no event sooner than 15 days after the six-month anniversary of the consummation of the transactions referred to in footnote (1) and the dismissal of the related lawsuit (the earlier of such dates, the "Deficiency Payment Date"), to the extent that the

- (5) Actual Proceeds as of the Determination Date are less than an amount equal to the excess of (i) \$21.6 million minus (ii) the amounts paid to CEPM pursuant to the Settlement Agreement (such difference, the "Subject Unit Target Proceeds"), SEPI or its designee (other than CEP) will pay to CEPM an amount equal to the lesser of (i) the shortfall from the Subject Unit Target Proceeds calculated as set forth in the Settlement Agreement, or (ii) \$5 million (such lesser amount, the "Deficiency Payment").

CEPM may elect, by giving at least seven days written notice to SEPI prior to the then-current Determination Date, a four month delay in the Determination Date, in its sole discretion, if it still holds more than 1 million Class B Units, during which such four-month period

- (6) CEPM shall use commercially reasonable efforts to sell the remainder of the Subject Units; provided that if CEPM elects this delay in the Determination Date, the Deficiency Payment Date shall also be delayed by four months and no payment will be due from SEPI or its designee until April 29, 2015.

Under the Settlement Agreement, on the Determination Date, in the event that there is any surplus achieved from the sales of the Subject Units in excess of the Subject Unit Target Proceeds, or there are any Subject Units still owned by CEPM after CEPM has received or will receive the Subject Units Target Proceeds, then CEPM and SEPI agree to share equally in the excess proceeds and/or Subject Units.

- (7) Within ten business days from the date that CEPM receives or will receive all of the Subject Unit Target Proceeds, which shall in no event occur prior to the passage of the six-month anniversary date of the consummation of the transactions referred to in footnote (1) and the dismissal of the related lawsuit, CEPM will (i) pay half of any net proceeds in excess of the Subject Unit Target Proceeds to SEPI or its designee, and (ii) transfer to SEPI or its designee half of any remaining Subject Units held by CEPM.

However, this sharing is subject to the restriction that SEPI's (including its designee's) one-half share in any aggregate proceeds in excess of the Subject Target Proceeds shall be capped at \$5 million (i.e., SEPI would not be entitled to share further in aggregate proceeds in excess of the Subject Unit Target Proceeds once the aggregate excess amount exceeds \$10 million).

- (8) Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.