

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

**Subject:** Alternative Asset Commitment

**Action Requested:** Grey Rock Energy Fund II, L.P.

**Background and Summary:** We recommend a commitment of \$30 million from the Long Term Portfolio to Grey Rock Energy Fund II, L.P., a natural resources fund that will invest in non-operated working interests in North American oil and gas assets.

Grey Rock Energy Partners was founded in 2013 by Matt Miller, Griffin Perry and Kirk Lazarine. Based in Dallas, TX with an office in Houston, TX, the team has grown to nine investment professionals.

Grey Rock will acquire a diversified portfolio of non-operated working interests in core North American oil and gas properties. Working interests are typically divided between two categories: operated and non-operated. The operated working interest owner proposes new wells, supervises drilling and manages the day-to-day operations. The non-operated interests, often divided amongst many owners, pay their pro-rata share of the well drilling costs in exchange for their pro-rata share of the revenues. Due to the recent decline in energy prices, many of these non-operated owners have experienced a meaningful decline in income from producing wells and are unable to fund their share of the drilling programs. As a result, they are being forced to sell. Grey Rock is able to take advantage of the distress and acquire assets in attractive locations at discounted prices.

The fund will target assets that are operated by best in class operators in basins that are economic at today's prices. Grey Rock will focus on smaller transactions that are less efficient segment due to the small size. The fund will be diversified in terms of geology, hydrocarbons and operators.

This commitment offers the Long Term Portfolio the opportunity to invest alongside an experienced team focused on a less efficient segment of the oil and gas sector.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

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