

Sanchez Production Partners LLC
 Form 4
 December 17, 2014

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2015
 Estimated average burden hours per response... 0.5

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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

 (Last) (First) (Middle)
 1000 MAIN STREET, SUITE 3000
 (Street)
 HOUSTON, TX 77002
 (City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Sanchez Production Partners LLC [SPP]

3. Date of Earliest Transaction (Month/Day/Year)
 12/01/2014

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

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

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

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

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 Ownership (Instr. 4)			
			Code	V	Amount or Price					
Common Units (Class B Units)	12/15/2014		X/K ⁽¹⁾		5,918,894 (3) (4) (5)	A	\$ 2.41	11,058,239	I	By Sanchez Energy Partners I, LP ⁽²⁾
Common Units (Class B Units)	12/15/2014		J/K ⁽¹⁾		5,694,044 (3) (4) (5)	D	\$ 2.49	5,364,195	I	By Sanchez Energy Partners I, LP ⁽²⁾
Common Units	12/01/2014		A		59,562 ⁽⁶⁾	A	⁽⁶⁾	59,562	I	By SP Holdings,

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"), Sanchez Production Partners LLC ("SPP") and the other parties thereto.

SEPI directly owns 5,364,195 Class B Units, inclusive of the 224,850 Class B Units required to be transferred to SEPI pursuant to the Settlement Agreement on or before December 29, 2014. 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 Antonio R. Sanchez, III and other members of the Sanchez family. Antonio R. Sanchez, III shares voting and dispositive power over the securities 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.

(3) Subject to the terms of the Settlement Agreement, CEPM was required to pursue sales of all of its Class B Units (the "Subject Units") by December 15, 2014 (or such earlier date upon which all of the Subject Units have been sold, the "Determination Date"). As further described in footnote (4) below, CEPM was required to share any excess proceeds and/or Subject Units with SEPI if the aggregate amount actually received by CEPM from the sales of the Subject Units pursuant to the Settlement Agreement (the "Actual Proceeds") exceeds the Subject Unit Target Proceeds (as defined in footnote (4)). As of December 31, 2014, CEPM sold all but 499,701 Subject Units. The Actual Proceeds from these sales were \$14,745,391.84.

(4) 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 approximately \$14.3 million (the "Subject Unit Target Proceeds"), or there are any Subject Units still owned by CEPM after CEPM has received the Subject Units Target Proceeds, then CEPM and SEPI agreed to share equally in the excess proceeds and/or Subject Units. 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 is capped at \$5 million (i.e., SEPI is not entitled to share further in aggregate proceeds in excess of the Subject Unit Target Proceeds once the aggregate excess amount exceeds \$10 million).

(5) The Actual Proceeds exceeded the Subject Unit Target Proceeds by \$479,261.84. On or before December 29, 2014, CEPM is required to (i) pay \$239,630.92 (half of the net proceeds in excess of the Subject Unit Target Proceeds) to SEPI, and (ii) transfer to SEPI 224,850 Subject Units (half of the remaining Subject Units held by CEPM).

(6) In December 2014, SPP issued 59,562 Class B Units to SP Holdings LLC ("SP Holdings") pursuant to the terms of a Services Agreement between SPP and SP Holdings in connection with SP Holdings' election pursuant to the terms thereof to receive payment of the fee thereunder for the quarter ended September 30, 2014 in Class B Units rather than cash. This issuance of Class B Units was in lieu of paying a fee of \$165,582 in cash, or \$2.78 per Class B Unit.

(7) These securities are owned directly by SP Holdings. SP Holdings is controlled by SP Capital Holdings, LLC ("SP Capital"). SP Capital is managed by Eduardo A. Sanchez and Antonio R. Sanchez, III. Antonio R. Sanchez, III shares voting and dispositive power over the securities controlled by SP Capital. 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.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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