

First Keystone Energy Fund - I, L.P.**Statement of Income***(Income Tax Basis)*

September 2012

	Current Month		Year to Date	
	\$	% Revenue	\$	% Revenue
Revenue				
Oil and Gas Production	\$106,410		\$601,756	
Proceeds from Hedge	\$848		\$2,972	
Total Revenue	107,258		604,728	
Operating Expenses (Recurring)				
Lease Operating Expenses	19,808		132,125	
Intangible Drilling Costs	0		\$0	
Marketing and Transportation	1,912		\$2,229	
Severance Taxes	5,748		30,319	
State Withholding Tax	0		\$0	
Ad Valorem Taxes	0		\$0	
Total Lease Operating Expenses (Recurring)	27,468		164,673	
Net Lease Operating Income	79,790		440,055	
Operating Expenses (Non-Recurring)				
Lease Operating Expense	5,558		\$17,884	
Intangible Costs - Rework			\$0	
Depletion			\$0	
Amortization and Depreciation			\$0	
Total Operating Expenses (Non-Recurring)	5,558		17,884	
Drilling and Completion				
Lease Operating Expenses			\$0	
Intangible Drilling Costs	56,933		\$241,811	
Depletion			\$0	
Amortization and Depreciation			\$0	
Dry Hole Expense	<u>0</u>		(\$1,582)	
Total Drilling and Completion Costs	56,933		240,229	
Net Income (Operations)	<u>17,299</u>		<u>181,942</u>	
Total Administrative Expenses	8,671		\$39,320	
Other Expense				
Interest Expense	4,032		\$12,561	
Interest Income			\$0	
Amortization of Basis in Hedges (Settled)	\$2,498		\$14,828	
Transaction Related Expenses	\$29,091		\$32,870	
Gain/(loss) from Sale of Leasehold	\$500		\$20,188	
Net Income	<u>(\$26,493)</u>		<u>\$102,551</u>	

Note:

(1) This statement includes all income and expense activity since the 8/31/12 merger of FKEF-I, L.P. and FKEF-III.L.P. The year to date activities do not include Fund III revenue or expenses prior to the merger.

First Keystone Energy Fund - I, L.P.

Balance Sheet

(Income Tax Basis)

9/30/2012

Assets		
Current Assets		
Cash		
Cash - First National Bank of Newtown ⁽¹⁾	(\$12,927)	
Cash - T. Rowe Price	\$0	
Cash - Western National Bank	\$501	
Total Cash		<u>(\$12,426)</u>
Accounts Receivable - From Operators	(\$1,036)	(\$1,036)
Prepaid Expenses	\$0	\$0
Prepaid Investments		
Crawford	\$42,184	
Straley	\$10,626	
Raspberry	\$16,293	
Grey Wolf -	(\$25,000)	
Thorpe	\$0	
Total Prepaid Investments		<u>\$44,103</u>
Total Current Assets		\$30,641
Cash Reserves Set aside for:		
Overruns	\$36,580	
Drilling and Rework	\$0	
Fund II Asset Purchase	\$0	
Fund I Tender Offer	\$0	
Margin Tax	\$0	
Liquidity Event	\$0	
Total Cash Reserves		\$36,580
Fixed Assets		
Lease and Well Equipment		\$658,240
Intangible Assets		
Hedge Costs (02.19.09A, 06.18.09, 05.29.09B, 06.03.09)	\$100,893	
Seismic and Geology	\$80,247	
Producing Leasehold Costs ⁽¹⁾	\$411,441	
Non-Producing Leasehold Costs ⁽¹⁾	\$72,564	
Financing Costs	\$56,880	
Total Intangible Assets		<u>\$722,025</u>
Total Assets		<u>\$1,447,486</u>
Liabilities and Partner's Capital		
Current Liabilities		
Accounts Payable	\$0	
Accrued Liabilities	\$0	
Due to/from FKPG	\$0	
Due to/from Funds ⁽¹⁾	\$0	
Senior Term Loan ⁽¹⁾	\$942,495	
Total Current Liabilities		\$942,495
Other Liabilities		
Partner's Contributions ⁽⁴⁾	\$7,089,894	
Partner's Distributions ⁽⁴⁾	(\$13,761,411)	
Prior Year Income(Loss)	\$6,964,962	
Current Year Income (Loss)	\$211,546	
Total Partner's Capital		<u>\$504,991</u>
Total Liabilities and Partner's Capital		<u>\$1,447,486</u>

Note:

(1) This balance sheet reflects the 8/31/12 merger of FKEF-III, L.P. The balance sheets of the two entities have been consolidated on a historical cost basis.

(2) This balance sheet reflect the additional debt balances related to the merger of the two funds. \$209M was borrowed to fund the \$1000 per Unit distribution paid to the Fund III partners under the terms of the Merger Agreement.

(3) The Fund III figures used in this balance sheet are based up the 8/31/12 internal financial statements. These figures will change based upon the final tax return of FKEF-III, L.P.

(4) The Fund III Partner Capital Accounts have been consolidated into Fund-I on a historical cost basis based upon partner capital accounts as of 8/31/12. These balances will change based upon the final tax allocations in the 2012 tax return.

First Keystone Energy Fund - I, L.P.
Statement of Changes in Operating Cash Flows
(Income Tax Basis)
September 2012

	<i>Current Month</i>	<i>Year to Date</i>
Net Income	(\$26,493)	\$102,551
Adjustments for non-Cash Items		
Depletion	0	\$0
Depreciation	0	\$0
Less: Changes in Operating Assets and Liabilities		
Prepaid Expenses	(28,567)	0
Accounts Receivable	(18,887)	(1,036)
Hedge Costs (02.19.09A, 06.18.09, 05.29.09B, 06.03.09)	0	(2,480)
Prepaid Investments	(26,904)	(36,056)
Non-Producing Leasehold Investments	0	(25,536)
Producing Leasehold Investments	50,751	(62,845)
Seismic and Geology	0	17,760
Fixed Assets	0	35,800
Other Assets	0	10,174
Accounts Payable	0	0
Due to/from Related Parties	0	(10,221)
Accrued Liabilities	0	0
Total Changes in Operating Assets and Liabilities	(23,607)	(74,440)
Plus: Changes in Investment Activities		
Bridge Notes	0	0
Notes Payable	0	0
Senior Term Loan	(9,473)	(89,124)
Preferred LP Unit Contributions	\$0	0
Partner Contributions	0	0
Partner Distributions	(37,200)	(217,118)
Total Changes in Investment Activities	(46,673)	(306,242)
Net Increase (Decrease) in Cash Balances	(49,559)	(129,251)
Cash Balances at the Beginning of the Period	74,173	153,865
Cash Balances at the end of the Period	<u>\$24,614</u>	<u>\$24,614</u>

Note: (1) This cash flow statement reflects the all balance sheet activity after the 8/31 merger of FKEF-I, L.P. and FKEF-III, L.P.

First Keystone Energy Fund - I, L.P.

Net Distributable Income (I.4)

(Income Tax Basis)

September 2012

	Apache SE (Nunn#1) - #50901	Atkinson	Billy R. - #61101	Cook #1	Crawford	Dale Cave	East Trifecta - #110703	Eaton - #70601	Fairgrounds - #60101	Grey Wolf (Herber) - #50903	Jimmie Herring - #61101	Keith	Live Oak (Isenhower #2) - #50502	Live Oak West - #60801	Natalia (Natalia #1) - #51002	Oplin - #51001	Raspberry - #70102	Roca Negra - #50703	Schwertner - #61101	South Spur - #60202	Thorpe - #61001	Sub-Total Recurring Revenue	Alaska	Total
Current Month																								
Gross Revenue																								
Oil Revenue	\$1,235	\$3,820	\$0	\$130	\$15,635	\$5,289	\$2,649	\$8,592	\$0	\$86	\$0	\$320	\$0	\$0	\$0	\$0	\$44,687	\$0	\$3,028	\$11,259		\$96,730		\$96,730
Gas	\$868	\$492			\$891			\$2,545	\$201	\$60	\$220	\$42	\$0	\$2,416	\$0	\$89	\$0	\$0	\$775	\$0	\$1,081	\$9,680	\$0	\$9,680
Gain on Sale of Leasehold Assets																						\$0	\$0	\$0
Total Gross Revenue	\$2,103	\$4,312	\$0	\$130	\$16,526	\$5,289	\$2,649	\$11,137	\$201	\$146	\$220	\$362	\$0	\$2,416	\$0	\$89	\$44,687	\$0	\$3,803	\$11,259	\$1,081	\$60,919	\$0	\$106,410
Production Taxes	\$181	\$310	\$0	\$9	\$1,190	\$244	\$0	\$587	\$15	\$5	\$139	\$26	\$0	\$181	\$0	\$7	\$2,059	\$0	\$195	\$519	\$81	\$5,748		\$5,748
Marketing Expenses																								
Total Production Taxes	\$181	\$310	\$0	\$9	\$1,190	\$244	\$0	\$587	\$15	\$5	\$139	\$26	\$0	\$181	\$0	\$7	\$2,059	\$0	\$195	\$519	\$81	\$2,861		\$5,748
Total Operating Expenses	\$410	\$1,344	\$0	\$17	\$2,756	\$823	\$0	\$6,880	\$18	\$8	\$2,412	\$0	\$1,216	\$0	\$4,493	\$2,851	\$0	\$0	\$799	\$1,483	\$25,510			\$25,510
Net Lease Operating Income	\$1,512	\$2,658	\$0	\$104	\$12,580	\$4,222	\$2,649	\$3,670	\$168	\$133	(\$2,331)	\$336	\$0	\$1,019	\$0	(\$4,411)	\$39,777	\$0	\$3,608	\$9,941	(\$483)	\$32,548		\$75,152
Less: Administrative Expenses																						\$0		\$17,516
Less: Debt Service																								\$23,518
Less: GP Override																								\$0
Plus: Hedge Proceeds																								\$1,063
Net Distributable Income	\$1,512	\$2,658	\$0	\$104	\$12,580	\$4,222	\$2,649	\$3,670	\$168	\$133	(\$2,331)	\$336	\$0	\$1,019	\$0	(\$4,411)	\$39,777	\$0	\$3,608	\$9,941	(\$483)	\$48,432		\$35,181
Income per L.P. Unit																								\$94
% Return on Contributed Capital - Annualized																								10.8%

Year to Date																								
Gross Revenue																								
Oil Revenue	\$1,235	\$3,820	\$0	\$130	\$15,635	\$5,289	\$3,385	\$80,007	\$629	\$1,804	\$25,786	\$320	\$0	\$11,910	\$0	\$3,640	\$207,804	\$25,266	\$58,207	\$112,615		\$557,482		\$557,482
Gas	\$3,300	\$492			\$891			\$17,702	\$2,792	\$673	\$4,352	\$42	\$1,255	\$9,320	\$0	\$1,529	\$0	\$3,883	\$12,631	\$0	\$5,100	\$63,962	\$0	\$63,962
Gain on Sale of Leasehold Assets																						\$0	\$0	\$0
Total Gross Revenue	\$4,535	\$4,312	\$0	\$130	\$16,526	\$5,289	\$3,385	\$97,709	\$3,421	\$2,477	\$30,138	\$362	\$1,255	\$21,230	\$0	\$5,169	\$207,804	\$29,149	\$70,838	\$112,615	\$5,100	\$430,675	\$0	\$621,444
Production Taxes	\$426	\$310	\$0	\$9	\$1,190	\$244	\$33	\$5,015	\$246	\$208	\$1,638	\$26	\$0	\$1,373	\$0	\$582	\$9,273	\$548	\$3,654	\$5,190	\$354	\$30,319		\$30,319
Marketing Expenses																								\$0
Total Production Taxes	\$426	\$310	\$0	\$9	\$1,190	\$244	\$33	\$5,015	\$246	\$208	\$1,638	\$26	\$0	\$1,373	\$0	\$582	\$9,273	\$548	\$3,654	\$5,190	\$354	\$19,601	\$0	\$30,319
Total Operating Expenses	\$1,110	\$1,344	\$67	\$17	\$2,756	\$823	\$532	\$37,132	\$1,298	\$1,143	\$8,978	\$0	\$11,030	\$0	\$24,950	\$19,281	\$7,059	\$6,686	\$9,356	\$6,419	\$139,981			\$139,981
Net Lease Operating Income	\$2,999	\$2,658	(\$67)	\$104	\$12,580	\$4,222	\$2,820	\$55,562	\$1,877	\$1,126	\$19,522	\$336	\$1,255	\$8,827	\$0	(\$20,363)	\$179,250	\$21,542	\$60,498	\$98,069	(\$1,673)	\$271,093	\$0	\$451,144
Less: Administrative Expenses																								\$80,306
Less: Debt Service																								\$146,577
Less: Reserves																								\$42,585
Plus: Hedge Proceeds																								\$842
Net Distributable Income	\$2,999	\$2,658	(\$67)	\$104	\$12,580	\$4,222	\$2,820	\$55,562	\$1,877	\$1,126	\$19,522	\$336	\$1,255	\$8,827	\$0	(\$20,363)	\$179,250	\$21,542	\$60,498	\$98,069	(\$1,673)	\$337,323	\$0	\$182,518
Income per L.P. Unit																								\$487
Contributed Capital																								
% Return on Contributed Capital - Annualized																								7.0%

Cumulative																								
Gross Revenue																								
Oil Revenue	\$2,323	\$3,820	\$197	\$130	\$15,635	\$5,289		\$118,385	\$13,301	\$5,807	\$47,083	\$320	\$28,439	\$15,880	\$76,817	\$1,028,815	\$249,513	\$175,524	\$116,407	\$1,643,205	\$0	\$3,546,890	\$0	\$3,546,890
Gas	\$51,869	\$492	\$0	\$0	\$891	\$0		\$20,094	\$41,041	\$5,829	\$7,485	\$42	\$9,263	\$18,145	\$9,930	\$211,772	\$0	\$203,417	\$20,439	\$7,661	\$8,429	\$616,799	\$0	\$616,799
Gain on Sale of Leasehold Assets	\$0	\$0			\$0	\$0			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Gross Revenue	\$54,192	\$4,312	\$197	\$130	\$16,526	\$5,289	\$0	\$138,479	\$54,342	\$11,636	\$54,568	\$362	\$37,702	\$34,025	\$86,747	\$1,240,587	\$249,513	\$378,941	\$136,846	\$1,650,866	\$8,429	\$3,665,182	\$0	\$4,163,689
Production Taxes	\$5,573	\$310	\$9	\$9	\$1,190	\$244		\$6,969	\$3,990	\$831	\$2,856	\$26	\$2,614	\$2,218	\$4,139	\$63,470	\$11,253	\$24,139	\$6,962	\$74,730	\$603	\$212,135	\$9	\$212,144
Marketing Expenses	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Production Taxes	\$5,573	\$310	\$9	\$9	\$1,190	\$244	\$0	\$6,969	\$3,990	\$831	\$2,856	\$26	\$2,614	\$2,218	\$4,139	\$63,470	\$11,253	\$24,139	\$6,962	\$74,730	\$603	\$181,157	\$9	\$212,144
Total Operating Expenses	\$6,390	\$1,344	\$187	\$17	\$2,756	\$823	\$0	\$44,770	\$19,227	\$7,385	\$12,361	\$0	\$25,565	\$15,782	\$14,072	\$191,938	\$25,767	\$37,309	\$12,692	\$152,248	\$7,573	\$578,206	\$187	\$578,206
Net Lease Operating Income	\$42,229	\$2,658	\$1	\$104	\$12,580	\$4,222	\$0	\$86,740	\$31,125	\$3,419	\$39,351	\$336	\$9,523	\$16,025	\$68,536	\$985,179	\$212,493	\$317,493	\$117,192	\$1,423,889	\$253	\$3,056,498	(\$196)	\$3,373,338
Less: Administrative Expenses	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,516
Less: Debt Service	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,518
Less: Reserves																								\$0
Plus: Hedge Proceeds																								\$1,063
Net Distributable Income	\$42,229	\$2,658	\$1	\$104	\$12,580	\$4,222	\$0	\$86,740	\$31,125	\$3,419	\$39,351	\$336	\$9,523	\$16,025	\$68,536	\$985,179	\$212,493	\$317,493	\$117,192	\$1,423,889	\$253	\$3,056,498	(\$196)	\$3,333,367
Income per L.P. Unit																								\$8,913
Contributed Capital																								\$10,500
% Return on Contributed Capital - Annualized																								13.1%

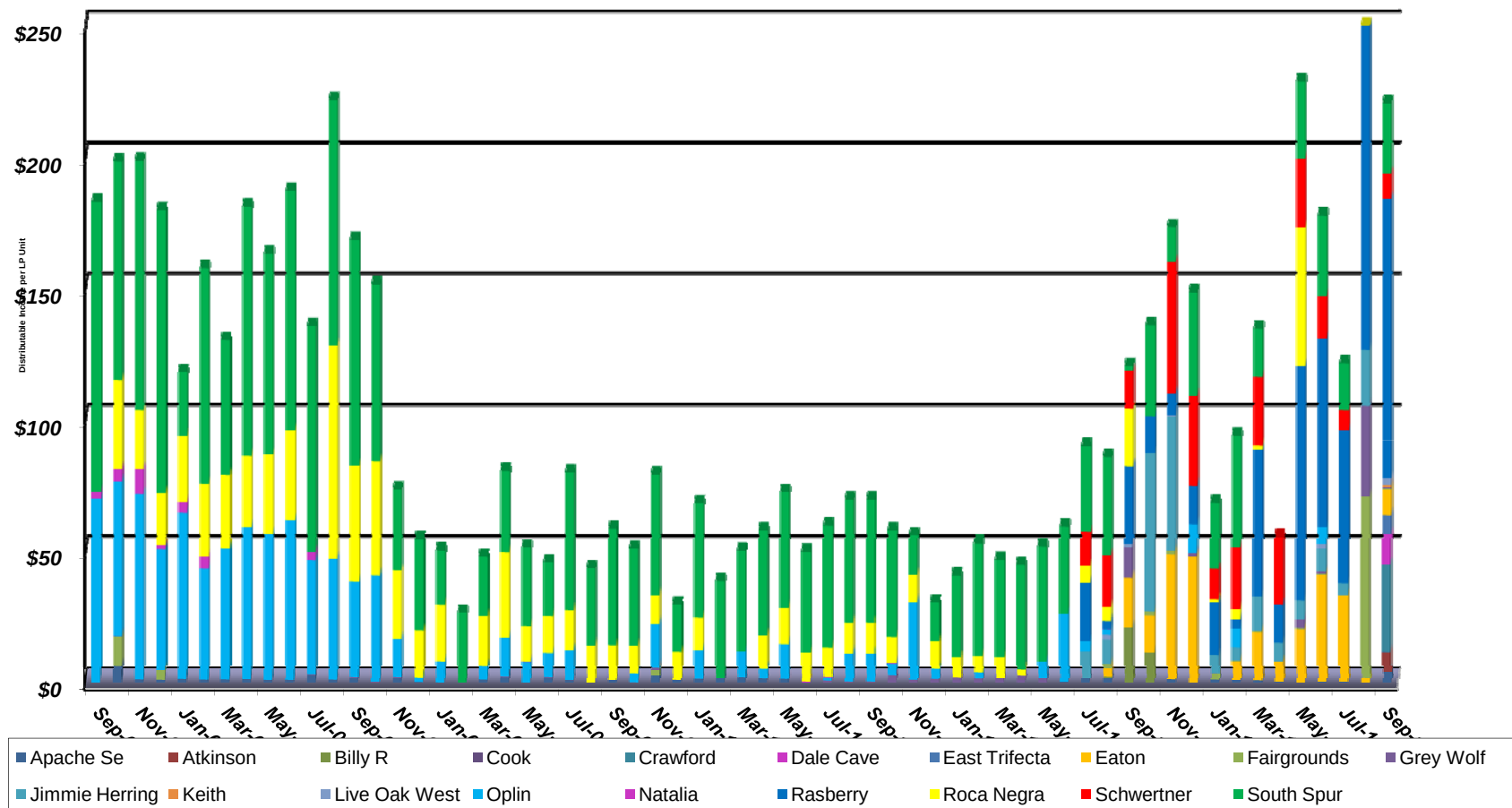
Note: (1) Net Distributable Income on this chart includes the non-recurring revenue generated from the sale of the Alaska leaseholds, and has also been reduced by Fund Administrative Expenses

(2) Current month figures in this chart depict distributable cash after the 8/31/12 merger of Funds III and I. The YTD and cumulative figures do not include Fund III distributions that occurred prior to the 8/31/12 merger of the two entities.

(3) This table depicts revenues generated by prospects BEFORE debt service and administrative expenses and excludes gains and losses from settlement of hedge contracts.

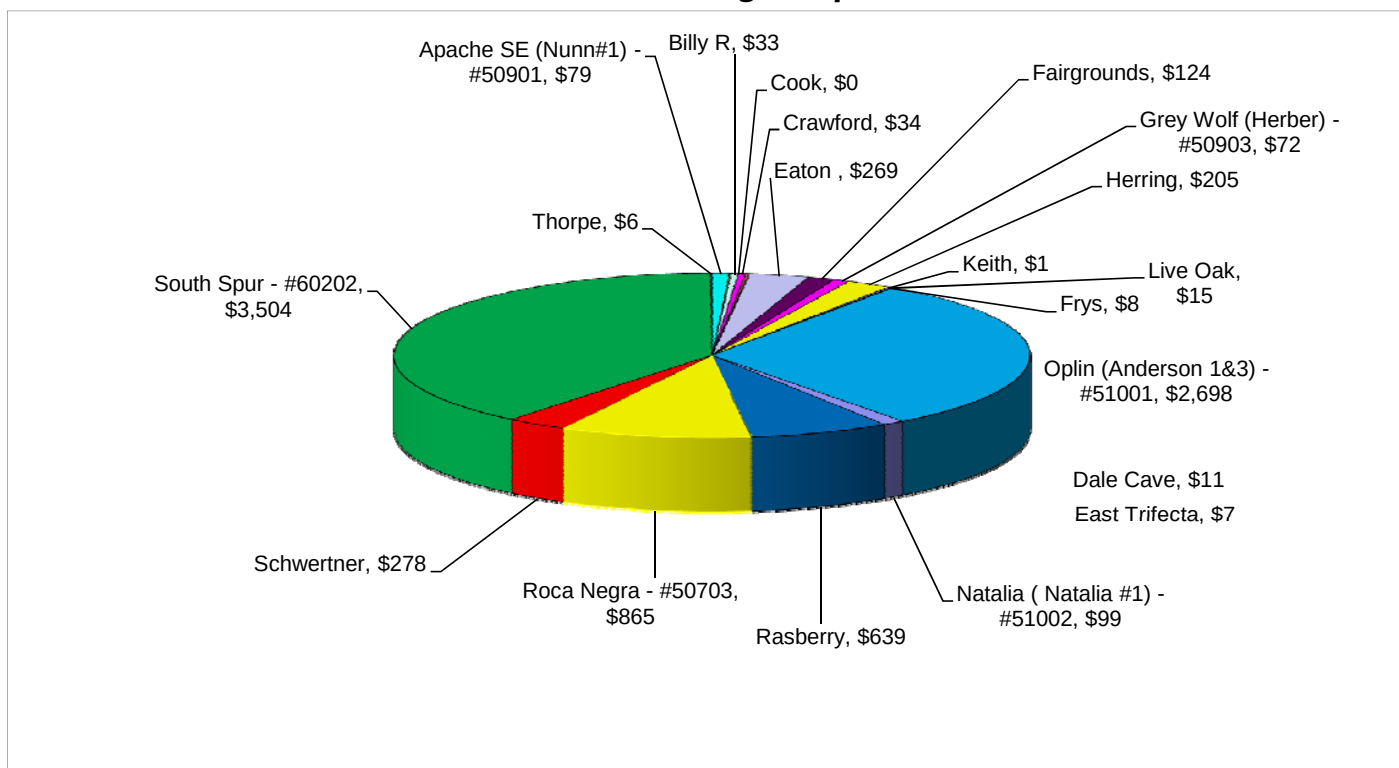
(4) This table has been updated to exclude the East Kenedy assets sold in the Liquidity Event transaction in December 2010.

First Keystone Energy Fund - I, L.P.
Net Lease Operating Income by Month (I.4)
(Income Tax Basis)
Months 9/30/07 Through 9/30/12



- Note:
- (1) The distributable cash per unit depicted on this chart includes only recurring revenue, and therefore excludes funds distributed for the sale of the Umiat, Eagle Prospect, and Northern Lights leaseholds in Alaska. We have also not deducted administrative expenses on a per well basis.
 - (2) This table depicts revenues generated by prospects BEFORE debt service and administrative expenses and *excludes* gains and losses from settlement of hedge contracts.
 - (3) The calculation of distributable cash flow is based upon the revenue checks received each month less the JIB for the same month (i.e. it is based upon the month the JIB pertains to, not the month it is paid).
 - (4) This table has been updated to exclude the East Kenedy Assets sold in the Liquidity Event Transaction in December of 2010.
 - (5) Current month figures in this chart depict distributable cash after the 8/31/12 merger of Funds III and I. The YTD and cumulative figures do not include Fund III distributions that occurred prior to the 8/31/12 merger of the two entities.

First Keystone Energy Fund - I, L.P.
Net Lease Operating Income by Field (I.4)
(Income Tax Basis)
(Continuing Operations Only)
Cumulative Through Sept 2012



- Note: (1) The distributable cash per unit depicted on this chart includes only recurring revenue, and therefore excludes funds distributed for the sale of the Umiat, Eagle Prospect, and Northern Lights leaseholds in Alaska. We have also not deducted administrative expenses on a per well basis.
- (2) This table has been updated to exclude the East Kenedy Assets sold in the South Texas Liquidity Event Transaction in December of 2010
- (3) Current month figures in this chart depict distributable cash after the 8/31/12 merger of Funds III and I. The YTD and cumulative figures do not include Fund III distributions that occurred prior to the 8/31/12 merger of the tow entities.

First Keystone Energy Fund - I, L.P.

Analysis of Lease Operating Expenses

(Income Tax Basis)

September 2012

	Current Month	Year to Date
Recurring Expenses		
Lease Operating Expenses		
Apache SE	410	1,154
Atkinson	1,144	1,144
Cook	9	9
Crawford	1,871	2,615
Dale Cave	823	823
East Trifecta		821
Eaton	3,912	31,660
Fairgrounds	19	1,319
Grey Wolf	8	1,152
Herring	792	7,426
HOC Billy R		0
Keith	42	42
Live Oak (Isenhower)		4,238
Live Oak West	1,222	5,981
Natalia		0
Oplin	2,203	17,060
Raspberry	3,781	20,707
Rattlesnake Mound		13,946
Schwertner	1,620	6,899
South Spur	469	9,536
Thorpe	1,483	5,593
 Total Lease Operating Expenses	 <u>19,808</u>	 <u>132,125</u>
Intangible Drilling Costs		
Grey Wolf		0
Live Oak (Isenhower)		0
Oplin		0
Rattlesnake Mound		0
Fairgrounds		0
South Spur		0
 Total Intangible Drilling Costs	 <u>0</u>	 <u>0</u>
 Total Recurring Expenses	 <u>19,808</u>	 <u>132,125</u>
Non-recurring Expenses		
Lease Operating Expenses		
Eaton	2,940	10,574
Grey Wolf		0
Live Oak West		575
Natalia		0
Oplin	2,618	6,579
Rattlesnake Mound		0
Schwertner		0
South Spur		156
 Total Lease Operating Expenses	 <u>5,558</u>	 <u>17,884</u>
Intangible Drilling & Completion Costs		
Atkinson	9,264	9,264
Crawford	35,608	35,608
Dale Cave	354	354
Eaton	5,626	123,081
East Trifecta		114
Fairgrounds		0
Live Oak (Isenhower)		0
Oplin		0
Raspberry	6,081	72,422
Rattlesnake Mound		0
Schwertner		968
 Total Intangible Drilling & Completion Costs	 <u>56,933</u>	 <u>241,811</u>
 Total Non-Recurring Expenses	 <u>62,491</u>	 <u>259,695</u>

(1) This statement reflects all expense activity which occurred after the 8/31/12 merger of FKEF-I, L.P. and FKEF-III, L.P. YTD figures exclude activity that

Note: occurred on the books of FKEF-III, L.P. prior to the merger.