

First Keystone Energy Fund - IV, L.P.

Statement of Income

(Income Tax Basis)

9/30/2012

	Current Month		Year to Date	
	\$	% Revenue	\$	% Revenue
Revenue				
Oil and Gas Production	\$69,098		\$658,428	
Proceeds from Hedge	\$0		\$2,844	
Total Revenue	69,098		661,272	
Operating Expenses (Recurring)				
Lease Operating Expenses	11,580		112,887	
Intangible Drilling Costs	0		\$0	
Marketing and Transportation	0		\$0	
Severance Taxes	4,875		45,984	
State Withholding Tax	0		\$0	
Ad Valorem Taxes	0		\$0	
Total Lease Operating Expenses (Recurring)	16,455		158,871	
Net Lease Operating Income	52,643		502,401	
Operating Expenses (Non-Recurring)				
Lease Operating Expense	0		\$0	
Intangible Costs - Rework			\$0	
Depletion			\$0	
Amortization and Depreciation			\$0	
Total Operating Expenses (Non-Recurring)	0		0	
Drilling and Completion				
Lease Operating Expenses			\$0	
Intangible Drilling Costs	90,227		904,778	
Depletion			\$0	
Amortization and Depreciation			\$0	
Dry Hole Expense	<u>26,216</u>		<u>\$107,441</u>	
Total Drilling and Completion Costs	116,443		1,012,219	
Net Income (Operations)	<u>(63,800)</u>		<u>(509,818)</u>	
Total Administrative Expenses	11,214		\$96,631	
Other Expense				
Interest Expense	1,936		\$3,977	
Interest Income			\$11,966	
Amortization of Basis in Hedges (Settled)			\$11,538	
Hedge Settlement			\$0	
Gain/(loss) from Sale of Assets			(\$45,963)	
Gain/(loss) from Sale of Leaseholds	\$21,872		\$474,342	
Net Income	<u>(\$55,078)</u>		<u>(\$181,619)</u>	

Note: (1) The YTD gain on sale of leaseholds (\$452M) is comprised of the following: \$334M net gain on the sale of the Rushness working interest, \$113M in gross proceeds from the sale of the Woodford Rights, and \$5M in gross proceeds from the sale of the Denton AMI

First Keystone Energy Fund - IV, L.P.

Balance Sheet

(Income Tax Basis)

9/30/2012

Assets

Current Assets

Cash		
Cash - First National Bank of Newtown (checking)	\$57,003	
Cash - First National Bank of Newtown (disbursements)	<u>\$893</u>	
Total Cash		<u>\$57,896</u>

Prepaid Expenses		\$0
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Prepaid Investments

East Orr	\$39,612
Big Sandy	\$20,518
Pocohontas	\$3,848
Green Grass	\$17,177
Denton #1-3	\$381
Farmer Ranch	\$6,964
Lone Grove	\$34,971
Mad Island	\$29,987
SW Dibble	\$27,987
N Healdton	\$70,415
Atkinson	
Maverick	
Rushness	

Total Prepaid Investments	<u>\$251,860</u>
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Total Current Assets	<u>\$309,756</u>
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Cash Reserves Set aside for:

Offsets ⁽¹⁾	\$0
Overruns - General	\$26,935
Overruns - Richard #1	\$0
Overruns - Brooksher #1	\$0
Overruns - Gibbs #1	\$0
Overruns - Mad Island	\$0

Total Cash Reserves	\$26,935
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Fixed Assets

Lease and Well Equipment	\$444,410
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Hedge Positions ⁽²⁾	\$75,654
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Intangible Assets

Financing Costs	\$5,845
Organization Costs	\$151,400
Producing Leaseholds	\$154,938
Non-Producing Leaseholds	\$309,526
Seismic and Geology	\$306,097

Total Intangible Assets	<u>\$927,806</u>
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Total Assets	<u>\$1,784,561</u>
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Liabilities and Partner's Capital

Current Liabilities

Bridge Loan from KPG (FL) LLC	
Due to/from Fund I	\$5,105
Due to/from Fund III	
Due to Jane Price Trust	(\$17,620)

Total Current Liabilities	(\$12,515)
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WNB Senior Term Loan	\$367,436
Partner's Contributions	\$3,878,750
Partner's Distributions	(\$735,671)
Prior Year Income(Loss)	(\$1,531,820)
Current Year Income (Loss)	(\$181,619)

Total Partner's Capital	<u>\$1,797,076</u>
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Total Liabilities and Partner's Capital	<u>\$1,784,561</u>
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Note: (1) The reserve for offset wells includes planned offsets in the Rushness, East Orr, and Alpine Meadows Prospects

\$0

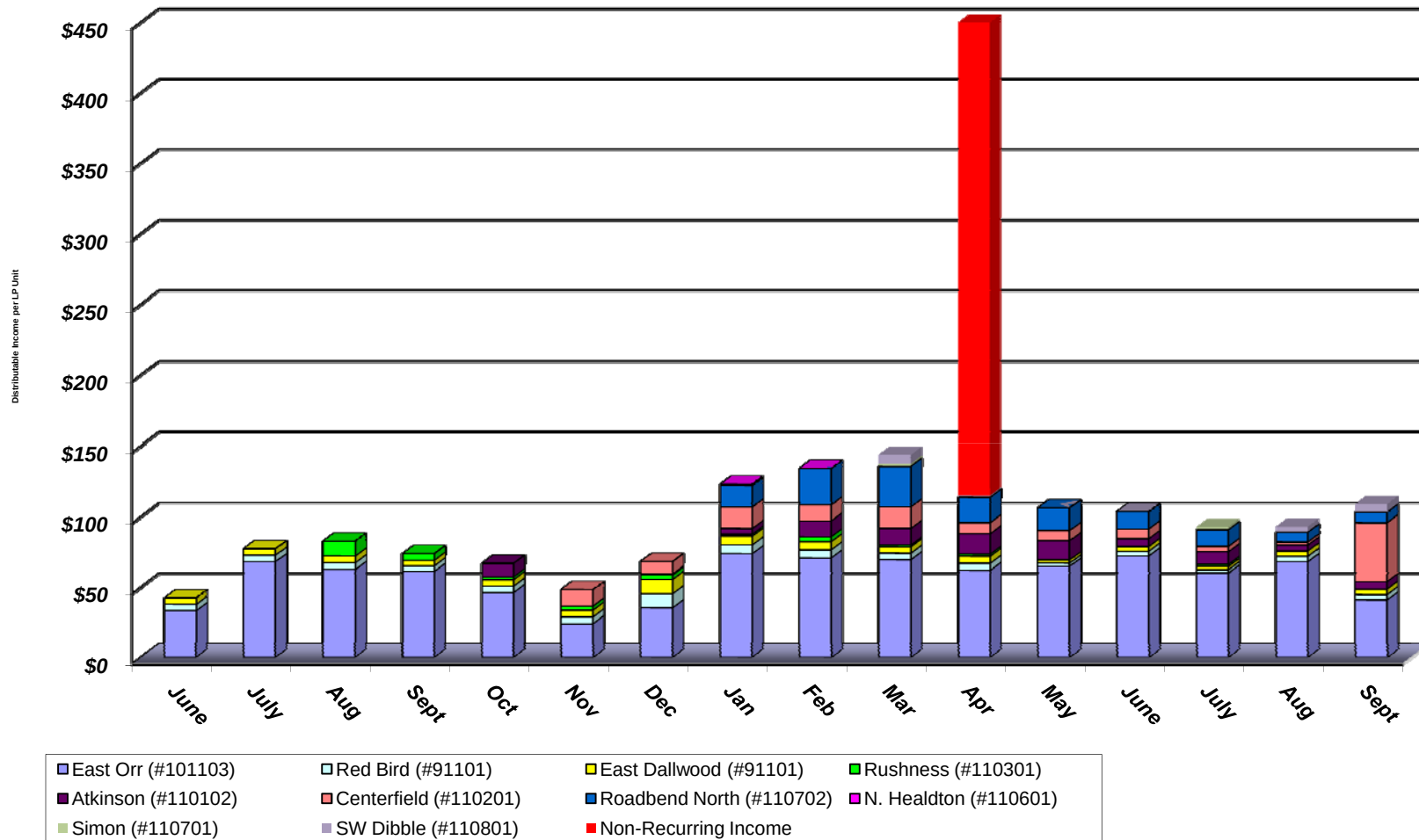
(2) Hedge positions are initially booked at their purchase price at the time the position is acquired. As a contract expires, the portion of the original position that pertains to that month is expensed into the Statement of Income as Basis. Currently the fund owns 35% of 1/2 of a PUT contract (\$85/BBL) for the 2012 and 2013 calendar year, 25% of 1/2 of a \$115 Call contract in 2012, and 35% of 1/2 of a \$115 Call contract in 2013. These figures do not include this funds participatin in a Swap contract for 2012 and 2013, as there is no basis with these arrangements.

First Keystone Energy Fund IV, L.P.
Statement of Changes in Operating Cash Flows
(Income Tax Basis)
9/30/2012

	<i>Current Month</i>	<i>Year to Date</i>
Net Income	(\$55,078)	(\$181,619)
Adjustments for non-Cash Items		
Depletion	\$ -	\$ -
Depreciation	0	0
Less: Changes in Operating Assets and Liabilities		
Accounts Receivable		(100,000)
Other Assets	442	261,780
Prepaid Investments	(39,752)	(254,768)
Producing Leasehold Investments	(2,902)	(23,321)
Non-Producing Leasehold Investments	6,542	116,652
Fixed Assets	36,215	172,994
Due to Affiliates	8,189	8,514
Accounts Payable		0
Accrued Liabilities		0
Total Changes in Operating Assets and Liabilities	<u>\$8,734</u>	<u>\$ 181,851</u>
Plus: Changes in Investment Activities		
Loan Drawdowns	(\$11,111)	367,436
Partner Contributions	\$0	401,250
Partner Distributions	(\$38,002)	(583,563)
Total Changes in Investment Activities	<u>(49,113)</u>	<u>185,123</u>
<i>Net Increase (Decrease) in Cash Balances</i>	<u>\$ (112,925)</u>	<u>\$ (178,347)</u>
Cash Balances at the Beginning of the Period	<u>\$197,756</u>	<u>\$ 263,178</u>
Cash Balances at the end of the Period	<u><u>\$84,831</u></u>	<u><u>\$ 84,831</u></u>

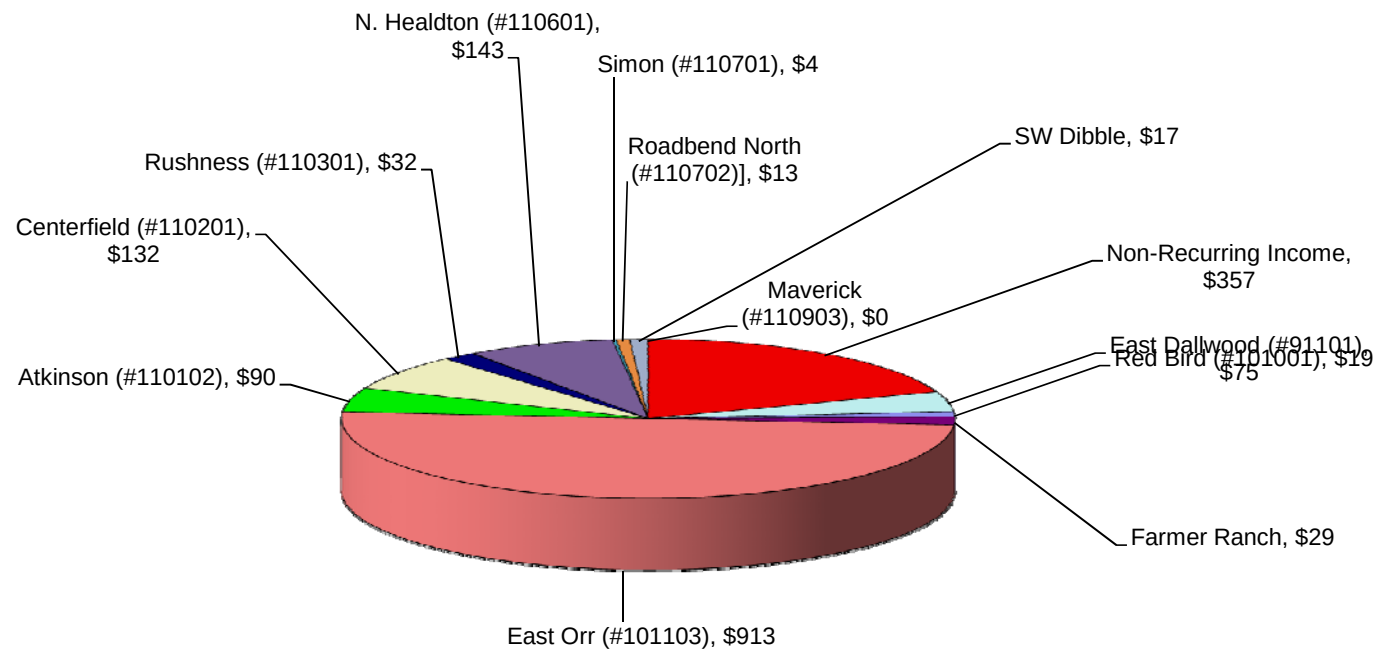
	East Dailwood (#91101)	Red Bird (#101001)	Farmer Ranch (#101102)	East Orr (#101103)	Atkinson (#110102)	Centerfield (#110201)	Rushness (#110301)	SE Jefferson (#110504)	N. Healdton (#110601)	Roadbend North (#110702)	Simon (#110701)	SW Dibble (#110803)	Maverick (#110903)	Total
Current Month														
Gross Revenue														
Oil Revenue	\$3,816	\$0	\$0	\$24,965	\$3,820	\$24,024	\$0		\$0	\$2,461	\$0	\$3,631		\$62,717
Gas	\$0	\$0	\$0	\$0	\$492	\$1,408	\$0		\$4,481					\$6,381
Gain on Sale of Leasehold Assets														\$0
Total Gross Revenue	<u>\$3,816</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,965</u>	<u>\$4,312</u>	<u>\$25,432</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,481</u>	<u>\$2,461</u>	<u>\$0</u>	<u>\$3,631</u>	<u>\$0</u>	<u>\$69,098</u>
Production Taxes	\$176	\$0	\$0	\$1,860	\$310	\$1,831	\$0			\$323	\$114	\$0	\$261	\$4,875
Marketing Expenses														\$0
Total Production Taxes	<u>\$176</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,860</u>	<u>\$310</u>	<u>\$1,831</u>	<u>\$0</u>	<u>\$0</u>	<u>\$323</u>	<u>\$114</u>	<u>\$0</u>	<u>\$261</u>	<u>\$0</u>	<u>\$4,875</u>
Total Operating Expenses	<u>\$1,548</u>	<u>\$248</u>	<u>\$610</u>	<u>\$1,233</u>	<u>\$1,144</u>	<u>\$1,235</u>	<u>\$0</u>	<u>\$347</u>	<u>\$184</u>	<u>\$221</u>	<u>\$446</u>	<u>\$203</u>	<u>\$36</u>	<u>\$7,455</u>
Net Revenue	<u>\$2,092</u>	<u>(\$248)</u>	<u>(\$610)</u>	<u>\$21,872</u>	<u>\$2,858</u>	<u>\$22,366</u>	<u>\$0</u>	<u>(\$347)</u>	<u>\$3,974</u>	<u>\$2,126</u>	<u>(\$446)</u>	<u>\$3,167</u>	<u>(\$36)</u>	<u>\$56,768</u>
Less: Administrative Expenses														\$15,153
Less: Debt Service														\$13,047
Less: DSCR Adjustment														\$0
Plus: Interest on Chisholm Trail														\$0
Plus: Proceeds from Sale of Rushness														\$0
Net Distributable Income	<u>\$2,092</u>	<u>(\$248)</u>	<u>(\$610)</u>	<u>\$21,872</u>	<u>\$2,858</u>	<u>\$22,366</u>	<u>\$0</u>	<u>(\$347)</u>	<u>\$3,974</u>	<u>\$2,126</u>	<u>(\$446)</u>	<u>\$3,167</u>	<u>(\$36)</u>	<u>\$28,568</u>
Income per L.P. Unit														<u>\$53</u>
% Return on Contributed Capital - Annualized														<u>8.8%</u>
Year to Date														
Gross Revenue														
Oil Revenue	\$26,985	\$8,488	\$19,423	\$352,080	\$55,755	\$56,024	\$6,977		\$60,362	\$20,082	\$6,497	\$11,021		\$623,694
Gas	\$0	\$0	\$0	\$0	\$3,138	\$14,864	\$0		\$16,732					\$34,734
Total Gross Revenue	<u>\$26,985</u>	<u>\$8,488</u>	<u>\$19,423</u>	<u>\$352,080</u>	<u>\$58,893</u>	<u>\$70,888</u>	<u>\$6,977</u>	<u>\$0</u>	<u>\$77,094</u>	<u>\$20,082</u>	<u>\$6,497</u>	<u>\$11,021</u>	<u>\$0</u>	<u>\$658,428</u>
Production Taxes	\$1,245	\$611	\$896	\$26,189	\$3,910	\$5,084	\$311		\$5,552	\$927	\$513	\$746		\$45,984
Marketing Expenses														\$0
Total Production Taxes	<u>\$1,245</u>	<u>\$611</u>	<u>\$896</u>	<u>\$26,189</u>	<u>\$3,910</u>	<u>\$5,084</u>	<u>\$311</u>	<u>\$0</u>	<u>\$5,552</u>	<u>\$927</u>	<u>\$513</u>	<u>\$746</u>	<u>\$0</u>	<u>\$45,984</u>
Total Operating Expenses	<u>\$5,754</u>	<u>\$3,006</u>	<u>\$7,732</u>	<u>\$14,408</u>	<u>\$11,966</u>	<u>\$6,147</u>	<u>\$2,028</u>	<u>\$3,091</u>	<u>\$3,775</u>	<u>\$6,756</u>	<u>\$8,763</u>	<u>\$1,198</u>	<u>\$1,703</u>	<u>\$76,327</u>
Net Revenue	<u>\$19,986</u>	<u>\$4,871</u>	<u>\$10,795</u>	<u>\$311,483</u>	<u>\$43,017</u>	<u>\$59,657</u>	<u>\$4,638</u>	<u>(\$3,091)</u>	<u>\$67,767</u>	<u>\$12,399</u>	<u>(\$2,779)</u>	<u>\$9,077</u>	<u>(\$1,703)</u>	<u>\$536,117</u>
Less:														

First Keystone Energy Fund - IV, L.P.
Sources of Distributable Cash Flow (I.4)
(Income Tax Basis)
Months Through 9/30/12



Note: 1. The distributable cash for the month of April included \$357 per Unit from the sale of the working interest in the Rushness Prospect. This represents 50% of the gross proceeds received from this sale. The remaining proceeds will be distributed in late October

First Keystone Energy Fund - IV, L.P.
Sources of Distributable Cash Flow (I.4)
(Income Tax Basis)
Cumulative Through September 2012



First Keystone Energy Fund - IV, L.P.
Analysis of Lease Operating Expenses
(Income Tax Basis)
9/30/2012

	Current Month	Year to Date
Lease Operating Expenses (Recurring)		
Lease Operating Expenses		
Atkinson (#110102)	1,144	10,761
Big Sandy (#100902)	37	339
Centerfield (#110201)	1,235	9,923
Cyclone (#110802)		0
Denton (#110801)		(380)
East Dallwood (#91101)	1,548	6,004
East Orr (#101103)	1,233	13,922
Farmer Ranch (#101012)	610	23,942
Lone Grove (#120601)		324
Mad Island (#110503)	3,879	3,879
Maverick (#110903)		169
N. Healdton (#110601)	225	3,263
Red Bird (#110101)	247	3,499
Roadbend (#110702)	221	6,293
Rose Valley (#101101)	553	8,660
Rushness (#110301)		6,387
SE Jefferson (#110502)		1,529
Simon (#110701)	445	11,765
SW Dibble (#110803)	203	2,608
Total Lease Operating Expenses	<u>11,580</u>	<u>112,887</u>
Intangible Drilling and Completion Costs		
Total Intangible Drilling Costs	<u>0</u>	<u>0</u>
Total Lease Operating Expenses (Recurring)	<u>\$11,580</u>	<u>\$112,887</u>
Total Drilling and Non-Recurring Expenses		
Lease Operating Expenses		
East Orr (#101103)		0
Total Lease Operating Expenses	<u>0</u>	<u>0</u>
Intangible Drilling and Completion Costs		
Atkinson (#110102)	9,264	84,058
Big Sandy (#100902)	7,576	13,204
Centerfield (#110201)	6,657	99,504
Denton (#110801)		0
East Dallwood (#91101)		189
East Orr (#101103)	43,082	228,249
Farmer Ranch (#101102)		28,154
Lone Grove (#120601)	16,733	19,489
Mad Island (#110503)	332	182,099
Maverick (#110903)		1,595
N Healdton (#110601)	5,590	73,704
Red Bird (#110101)		0
Roadbend (#110702)		42,693
Rushness (#110301)		7,866
SE Jefferson (#110502)		5,317
Simon (#110701)		80,207
SW Dibble (#110803)	993	38,450
Total Intangible Drilling Costs	<u>90,227</u>	<u>904,778</u>
Total Drilling and Non-recurring	<u>\$90,227</u>	<u>\$904,778</u>