

Greetings,

FUND – IV

NOVEMBER'S SUMMARY & HIGHLIGHTS

- o **Recent/Upcoming Spuds = 4**
- o **Active/Imminent Completions = 4**
- o **Ongoing Completions = 3**
- o **Rose Valley Prospect (#101101) = Lewis #14-7 = **DISCOVERY/PRODUCER** and Fisher #18-10 = **PROBABLE DISCOVERY****
- o **Kirkwood Mountain #1-29 (North Healdton – #110601-03) = Awaiting completion**
- o **Rosie Fappiano (SW Dibble Prospect - #110803-02) = **PRODUCING****
- o **Portfolio of Producers = Increased by 1 to 22**
- o **Prices = Oil = Trading in a narrow band
= NG = Weakening significantly**
- o **Hedges = Very solid for Cal13; but not “installed” in Cal14**
- o **CAPITAL CALL = **MANDATORY** = \$500/Unit = Due January 15, 2013**
- o **Bank Loan = Borrowing Base = Very solid increase!**
- o **Debt Amortization = \$11M (\$21/Unit) (this month)
= YTD = \$55M (\$105/Unit)**
- o **Cash payout = \$66/Unit in November
= Annualized cash-on-cash return = 10%
= \$1,822/Unit YTD
= \$2,116/Unit Cumulative**
- o **Fund - VI = IRAs can invest**

MANDATORY CAPITAL CALL #6

\$500 per Unit = DUE on January 15, 2013.

(This “call” is another one that **follows** #5 which was due on October 31, 2012.)

(There will be a penalty of 1% per month for tardy payments.)

Please make your check payable to **First Keystone Energy Fund – IV, L.P.**
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P.O. Box 4, Wycombe, PA 18980

FIRST KEYSTONE ENERGY FUND – VI, L.P.

You should have received the **Offering Memorandum** by now. **Closing** will be in late **January** (tentative). We are conducting **webinars** to enable Partners to hear updates and to learn about the new Fund. *Let us know if you would like to participate.*

We are pleased to report that we have re-reviewed the subject of whether an IRA can invest in First Keystone. The answer is “yes”. Our **Supplemental Memorandum** will provide the details including having a “non-traditional” **custodian** lined up, if you need one.

In addition, we have now lined up 5 new projects for this Fund. They range across a wide swath of risk/reward and geography. A **Supplemental Memorandum** will be issued in early January that will spell out the details.

New Deal-Making Activities

N/A

Summary of Upcoming Drilling and Completion Activities

GLB is now drilling *two wells in a row* offsetting **Chris #1** and **Romines (East Orr Prospect - #101103)**. They are the **Bertha #1** and **Romines #2** (new name for **Claude**). (Bertha spudded early this week.) *Expectations remain very high.*

Chisholm’s two new wells in the **Farmer Ranch Prospect** (#101102) will not be drilled until Spring. We are waiting to review the seismic study.

The **Chisholm Trail** project (#110901) = delayed to next year.

Current & Past Month’s Drilling Activities

Summary: Much activity is still focused on existing wells that have not yet hit their stride. The picture continues to clarify, but we also have a new batch of very interesting situations.

Status of Wells **RECENTLY** Drilled or Underway

<u>Well Name</u>	<u>Current Status</u>	<u>Comments</u>
Lewis #14-7 (Rose Valley Prospect - #101101-01)	PRODUCING	Lots of zones to test - methodical
Fisher #18-10 (Rose Valley Prospect - #101101-02)	PROBABLE DISCOVERY	Not as good as projected
Zeta (Big Sandy Prospect – #110902-02)	PROBABLE DISCOVERY	Frac occurred, but still no oil.
Eddie #2-31H (Big Sandy Prospect - #110902-04)	PRODUCING	Flowing; very disappointing volumes. More troubleshooting = set-up down-hole pump.
Queen Mary #1 (Lone Grove Prospect - #120601-01)	PROBABLE DISCOVERY	Frac = delayed to January.
Rosie Fappiano (Southwest Dibble Prospect - #110803-02)	PROBABLE DISCOVERY	Completion underway; intermittent flows.
#1-ST #1 (Mad Island Project - #110503-01)	POSSIBLE DISCOVERY	Work should be underway within 60 days.
Kirkwood Mountain #1-29 (North Healdton Prospect - #110601-04)	POSSIBLE DISCOVERY	Awaiting completion

A new project is now underway – **Rose Valley** (#101101) is progressing. The first well, **Lewis #14-7** is a **DISCOVERY** and is going through a methodical completion. It looks quite *promising*. Next, the **Fisher #18-10** is less clear-cut. It is a **PROBABLE DISCOVERY**.

Completion at Charter Oak's offset to **Claire Benson (Southwest Dibble Prospect - #110803)**, the **Rosie Fappiano**, is underway. Very low volume, but Joe Brevetti assures us that all is "routine". **DISCOVERY/PRODUCER**.

Chris #1 (East Orr Prospect - #101103-04) is fairly well seasoned and is very successful; hence GLB's decision to accelerate forward with these two direct offsets to **Romines/Chris**.

The **Queen Mary #1** (#120601-01) at **Lone Grove (PROBABLE DISCOVERY)** = frac = mid-January. Keep your fingers crossed on this one! If it hits its targets, it will have a meaningful impact on our distributable income.

At **Zeta (Big Sandy Prospect - #110902-02)** = a long slow wait. **Eddie #2-31H** (#110902-03) flow rates = way below targets. Troubleshooting. *Concerned*.

Charter Oak's **Mount Rose #1-29 (North Healdton Prospect - #110601)** responded positively @ Tussy, but a higher volume is needed in order to fulfill our financial targets. *(We may need to lower our expectations.)* **Squaw Valley**, on the other hand, is producing at a very decent level of NG; but since NG prices are depressed, this well will not payout unless those prices rally within a year or so. The next well, **Kirkwood Mountain #1-29** = still awaiting completion. **PROBABLE DISCOVERY**. Comment: The original well, the **Alpine Meadows**, was a home run; these others are disappointing so far.

Completion of **Mad Island (Matagorda Bay Prospect - #110503)** will recommence (probably January).

In conclusion, here's the most recent assessment:

Winners: Chris (big time!), Lewis

Losers: Eddie #2, Zeta (?)

Toss-Up: Squaw Valley, Mount Rose (downgraded)

Unknowns: Fisher, Queen Mary, Rosie Frappiano

Production & Operational Activities

Fund – IV's "**Portfolio of Producers**" increased by **1** to **22** as of November 30th with the addition of **Rosie Fappiano**, and it will increase in December with **Lewis** and maybe **Fisher**, among others.

PORTFOLIO OF PRODUCERS

<u>Well</u>	<u>Code #</u>	<u>Prospect/Field</u>	<u>Location</u>	<u>Operator</u>	<u>NWI</u>
S&S Cattle #1 *	101001-01	Red Bird Prospect	Okfuskee County, OK	GLB	10%
Ross #1 *	101001-02	Red Bird Prospect	Okfuskee County, OK	GLB	10%
Romines #1	101103-01	East Orr Prospect	Love County, OK	GLB	12.5%
Sharon #1	101103-02	East Orr Prospect	Love County, OK	GLB	12.5%
Day #1	91101-01	East Dalwood Prospect	Dickens County, TX	Hollis Sullivan	7.09%
Richard #1	110102-01	Atkinson Prospect	McClain County, OK	GLB	7%
Lester #1	110102-03	Atkinson Prospect	McClain County, OK	GLB	7%
Morphew #1	110201-01	Centerfield Prospect	Garvin County, OK	GLB	10%

Carson #1	110201-02	Centerfield Prospect	Garvin County, OK	GLB	10%
King Air #1	110702-01	Roadbend North Prospect	Dickens County, TX	Chisholm	10%
Reece #1 *	91101-02	East Dalwood Prospect	Dickens County, TX	Canan-Mowrey	7.09%
Lois #1	101103-02	East Orr Prospect	Love County, OK	GLB	12.5%
Chris #1	101103-04	East Orr Prospect	Love County, OK	GLB	12.5%
Farmer A#1	101102-01	Farmer Ranch Prospect	Callahan County, TX	Chisholm	22.5%
Alpine Meadows #1-30	110601-01	North Healdton Prospect	Carter County, OK	Charter Oak	2.5%
Squaw Valley #1-24	110601-02	North Healdton Prospect	Carter County, OK	Charter Oak	2.5%
Mount Rose #1-29	110601-03	North Healdton Prospect	Carter County, OK	Charter Oak	2.5%
Claire Benson #1-19	110803-01	Southwest Dibble Prospect	McClain County, OK	Charter Oak	3%
Rosie Fappiano	110803-02	Southwest Dibble Prospect	McClain County, OK	Charter Oak	3%
TDS #1 *	110701-01	Simon Prospect	Love County, OK	GLB	12.5%
Eddie #1-31H	110902-03	Big Sandy Prospect	Jackson County, OK	GLB	3%
Eddie #2-31H	110902-04	Big Sandy Prospect	Jackson County, OK	GLB	3%

*Not economic (i.e., will not payout)

North & Central Texas: The **Day #1** and **Reece #1** (East Dalwood Prospect - #9110) slid a little. **King Air #1** (Roadbend North Prospect - #110702-01) = N/A. **Farmer A-1** = N/A.

Central Oklahoma: **Red Bird Prospect** (#101001) wells (i.e., **S&S Cattle** and **Ross #1**) = N/A. **Morphew #1** (Centerfield Prospect - #110201-01) = N/A. **Carson #1** (Centerfield) = workover has helped = stabilized. **Richard #1** (Atkinson Prospect) had a bad month suffering from mechanical problems. It is operational again. **Lester** (Atkinson Prospect) was also very **weak**, suffering as well from mechanical breakdowns and it is operating again. **Claire Benson #1-19**

(Southwest Dibble Prospect - #110803-01) softened (by 5) to 55 BOPD. **Alpine Meadows #1-30** (North Healdton Prospect - #110601-01) was down by 7 to 49 BOPD.

South Oklahoma: **Romines #1** (East Orr Prospect - #101103-01) = N/A. **Chris #1** = 121 BOPD =. **Lois #1** = N/A. **Sharon** = N/A. **TDS #1** = N/A. **Eddie #1** = **Shut-in**.

Financial Matters

Distributions – In November, the Fund paid out **\$66/Unit** in distributions. Cumulative payouts have now reached **\$2,116/Unit**. This level is in line with forecasts.

However, we have been *below targets* recently when focusing ONLY on *recurring* revenues. Too many of our 15 developmental wells (i.e., offsets to wildcat discoveries) have not lived up to our profit criteria. For every **Chris**, there has been more than one **Squaw Valley**. Couple those tepid volumes against our own stringent rules for amortizing debt incurred to drill these wells, and the net results translate into very little distributable income. Thus, going forward, the *name-of-the-game is QUALITY* of the new well. We are pleased with the outlook for the year ahead. We have narrowed the focus of drilling to our best fields. Our objective is to “average up” on our wells. Those in the immediate future – **Bertha, Romines #2, Queen Mary** – ought to be very profitable.

Product Pricing – Oil prices are quiet and stable; while NG has reversed direction (i.e., declining).

Revenue & Hedging Matters – We earned more money on the settlement of our hedge in November (**\$8.68/bbl or \$4.46/Unit**). Our mark-to-market (“MtM”) positions are improving as oil prices slump.

This table indicates the current components of the Fund’s hedge portfolio:

First Keystone Energy Fund-IV, L.P.
Overview of Hedge Positions (Report J.4)
Sub-schedule J.4A - Summary of Current Positions
As of 11/30/12

<u>Commodity Hedged</u>	<u>Hedge #</u>	<u>Type of Position</u>	<u>L/S</u>	<u>Price</u>	<u>Index</u>	<u>Time Period Covered</u>	<u># of Contracts</u>	<u>This Fund's % Participation</u>
Oil	01.12.12A	PUT	L	\$95	WTI	Dec 12 – Dec 13	0.5	30%
Oil	11.17.11A	SWAP	S	\$95.75	WTI	Dec 12 – Dec 13	0.5	25%
Oil	11.17.11B	CALL	L	\$115	WTI	Dec 12 – Dec 12	0.5	25%
Oil	11.17.11C	SWAP	S	\$95.75	WTI	Jan 13 – Dec 13	0.5	35%
Oil	06.11.12A	CALL	L	\$100	WTI	Jan 13 – Dec 13	0.5	35%
Oil	06.11.12B	CALL	L	\$105	WTI	Jan 14 – Dec 14	1.0	45%

Note: (1) Each natural gas contract represents 10,000 MMBtu's of monthly production and each oil contract represents 1,000 Bbls of monthly oil production.

We seek to lock in our Cal14 swap, but these “soft” price levels are not enticing.

Financial Statements – The September Financial Statements have been posted to the website; the October Statements will be posted this week; and the December Statements will be posted by the end of December.

Burn Rate & CapEx & Reserves – The “Burn Rate” for the month of November was consistent with plan at \$94M and was used to fund the following operating/drilling items:

Drilling Expenses – Fisher #18-10 & Lewis #14-7	\$50M
Completion Expenses – Rosie Fappiano	\$24M
Drilling Expenses – Farmer C-#1	\$18M
Drilling Expenses – Farmer #2	\$ 9M
Internal Accounting & GP Admin Fees	\$ 9M

The overall size of the CapEx plan remains unchanged, however, the timing continues to be delayed. Most recently, Chisholm has informed us that the timing of the three wells planned for Farmer Ranch (originally scheduled for January) has been delayed by approximately 90 days (until March/April).

We will still be conducting a **CAPITAL CALL** in January, a primary purpose of which is to properly replenish our reserve accounts.

Capital Call

MANDATORY CAPITAL CALL (#6)

DUE JANUARY 15, 2013

*The capital call is in the amount of **\$500 per Unit***

There will be a penalty of 1% per month for tardy payments

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This \$500/Unit Capital Call (#6) is to beef up reserves. We are also in the midst of studying the Fund's debt and equity needs for 1H13. Our preliminary examinations indicate a modest additional need in late 2Q13.

Financing/Bank Debt – Our loan base was revised upward significantly. We are very **pleased!**

Write-Downs: We have written down half the remaining balance on the loan associated with **Lester** which has fallen below our minimum required volumes. (These changes shifted \$45M from reserves to loan reduction.) In addition, Fund - IV is faced with the write-down the loan balance of the **Carson** well by 50% (\$20M) due to the well performing at less than forecasted type well rates. Similarly, we will “take a charge” on **Eddie #2**.

The January capital call is aimed at funding all of these write-offs plus a full replenishment of the reserve account up to \$100M for other requirements related to future dry holes and underperforming wells.

LOAN SUMMARY – In November, **\$26/Unit** was deployed toward debt service. As of November 30th, the Fund's outstanding **loan balance** with WNB was **\$488M (\$912/Unit)**; and cumulative amortization of principal out of normal cash flows has reached **\$55M (\$105/Unit)**.

First Keystone Energy Fund - IV, L.P. Summary of Debt Outstanding 11/30/2012		
	Total Company	Per Unit
Debt Outstanding at the Beginning of the month	\$498,942	\$933
Drawdowns Taken during the Month	\$0	\$0
Required Amortization	\$11,111	\$21
Elective Amortization	\$11,111	\$21
Excess	\$0	\$0
Ratio Actual Amortization vs. Plan	1.00	
Loan Balance at 11/30/12	\$487,831	\$912
Interest Expense Paid	\$2,670	\$5
Borrowing Base Remaining	\$210,078	\$393

Macroeconomics and Politics

N/A

Reporting & Website & Administrative Matters

Your **Account Statements** are up to date through September.

Conclusion & A Look Ahead

Fund – IV is now well into its **Developmental Drilling Phase**, and our goal is to channel capital into proposed wells that offer **very high rates of return**. The drilling and completions immediately ahead should yield strong results – certainly those **East Orr** direct offsets ought to boost rates of return.

We would like to see this Fund's rate of payouts (from recurring revenues) move up to 150 bp/month (i.e., about \$120/Unit or 18% annualized) by 2Q13 and move toward 200 bp by year-end (at

least \$165/month). With our usage of debt to fund recent drilling, that target is challenging to attain since a lot of cash flow is diverted into a quick retirement of the loan for each new well. However, if we bring in a few more really good wells, like the **Chris #1**, then such performances will translate into these enhanced returns. Indeed, if the **“Love County Club” – Bertha/Romines #2/Queen Mary** – hit their particular targets, we would *exceed* these figures.

Have a great Holiday Season!

Cordially,

FIRST KEYSTONE ENERGY FUND – IV, L.P.

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