

# Preliminary Monthly Report

August 2004

Injection and total liquid production remain relatively constant for the pilot wells (see attached graphs). Oil production in August averaged 2.5 BOPD. Production for the first 10 days of September has averaged 2.6BOPD. Gas production predominantly CO<sub>2</sub> continued during the month primarily from CO<sub>2</sub> #12 and continues to increase slightly. Gas production for the first 10 days of September has averaged 12.5 mcfpd compared to 12.1mcfpd for the month of August. Gas production is not excessive and we currently expect WAG operations may not be required until October.

Gas production is primarily from CO<sub>2</sub> #12. CO<sub>2</sub> content of the produced gas in CO<sub>2</sub> #12 is over 90% CO<sub>2</sub>. Gas production from CO<sub>2</sub> #13 appears to be continuous now. Gas analysis shows an increase in the heavier hydrocarbon components of the hydrocarbon gas. Nitrogen continues to be reported in the gas from CO<sub>2</sub> 13 and is probably from another zone.

Vent losses have been reduced substantially with the aid of the small capacity pump and were at a record low for the month.

Pressures continue to be stable on Carter 5 but continue to decrease on Cater 2.

Cumulative CO<sub>2</sub> losses to the north or out of zone are 29-39% of the injected CO<sub>2</sub>.

Production rates on the project wells are demonstrating a decline in total fluid production. This is probably a result of the slight under injection for May, June, and July. Injection for August was on target however over the four month period injection has averaged 22mcfpd less than required. Injection for the first 10 days of September is also falling short of the required volume on the average.

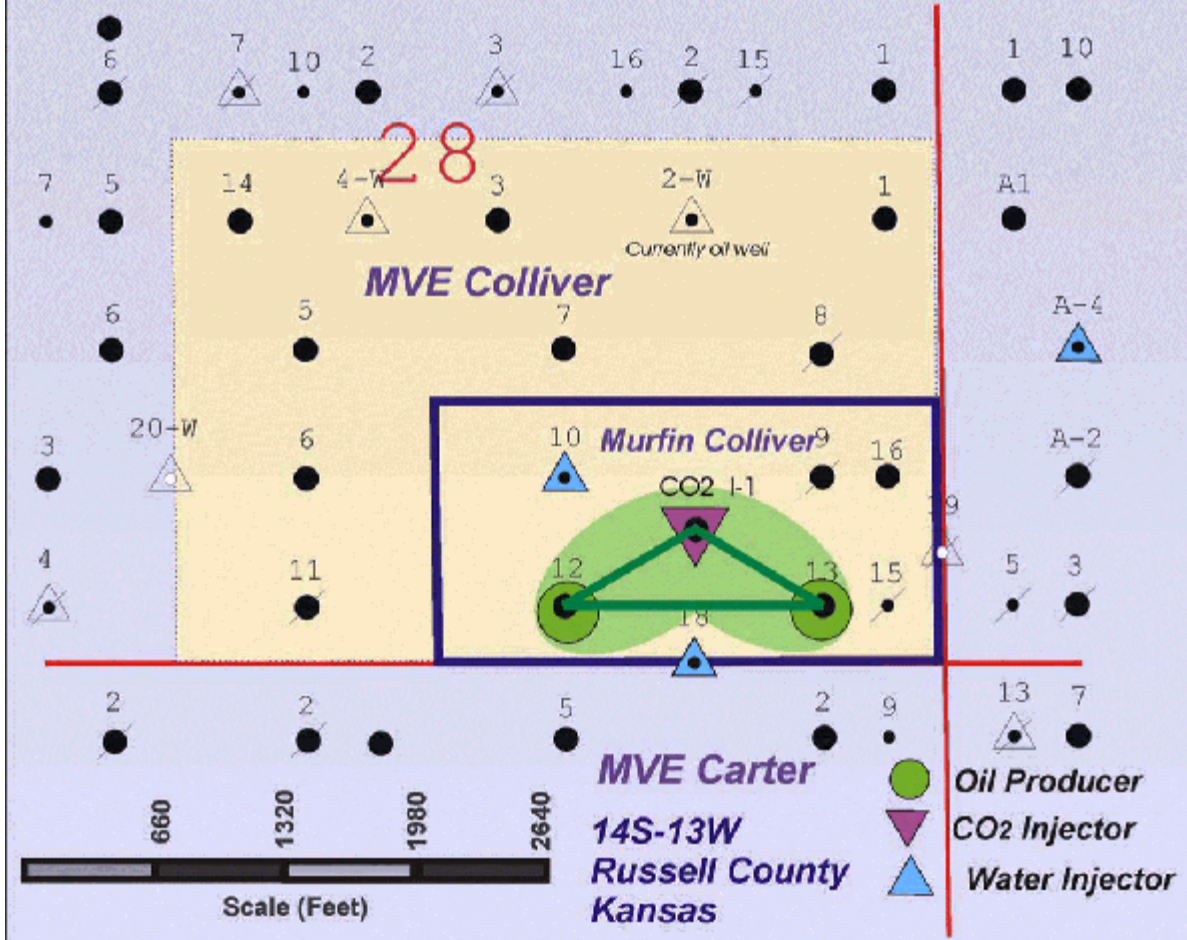
Efforts must be made to maintain injection requirements on CO<sub>2</sub> I-1 or production will need to be restricted for the project to have a reasonable chance of success. Rather than restrict production on the production wells it might be operationally easier to shut the wells in once or twice a month to account for any average under injection. Number of days that the wells would need to be shut-in would be determined based on the actual production and injection for the month to that time.

CO<sub>2</sub> utilization plot indicates that the CO<sub>2</sub> displacement process is becoming less efficient potentially as a result of the under injections. Other possibilities for the reduced efficiency are metering errors in the production or depositional issues.

Attached:

- Pilot Map
- Monthly report
- Injection graph
- Production graph
- CO<sub>2</sub> Utilization
- LKC Pilot monitoring pressure graph
- LKC Pilot monitoring wells pressures graph

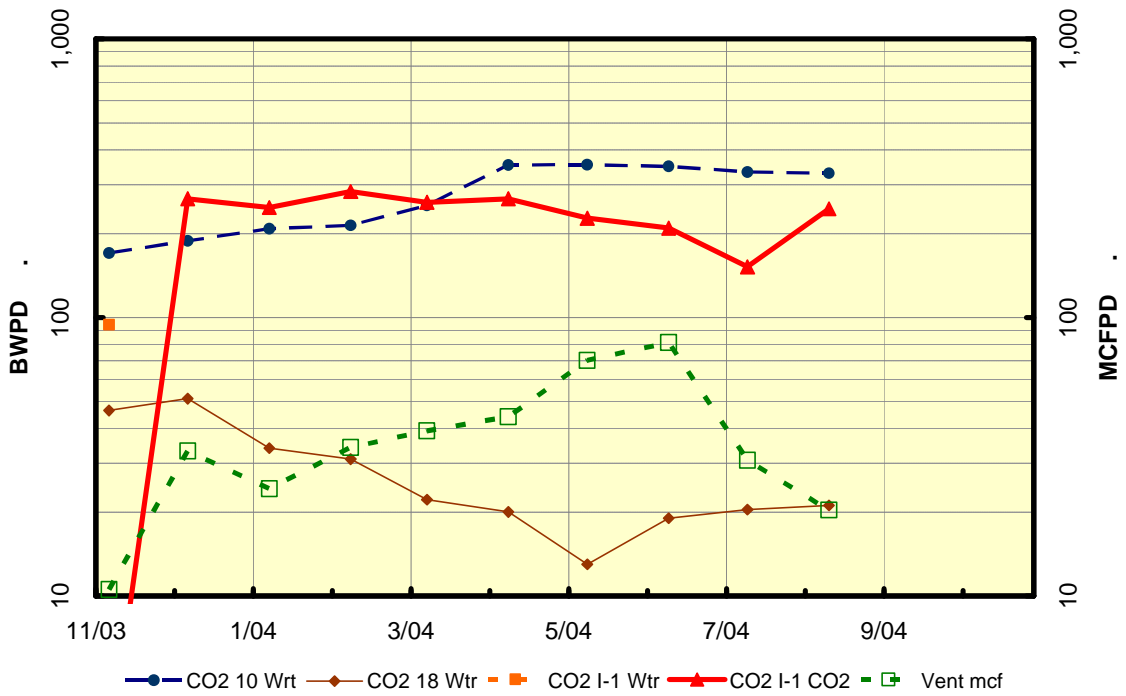
# CO2 Pilot 10-Acre Pattern



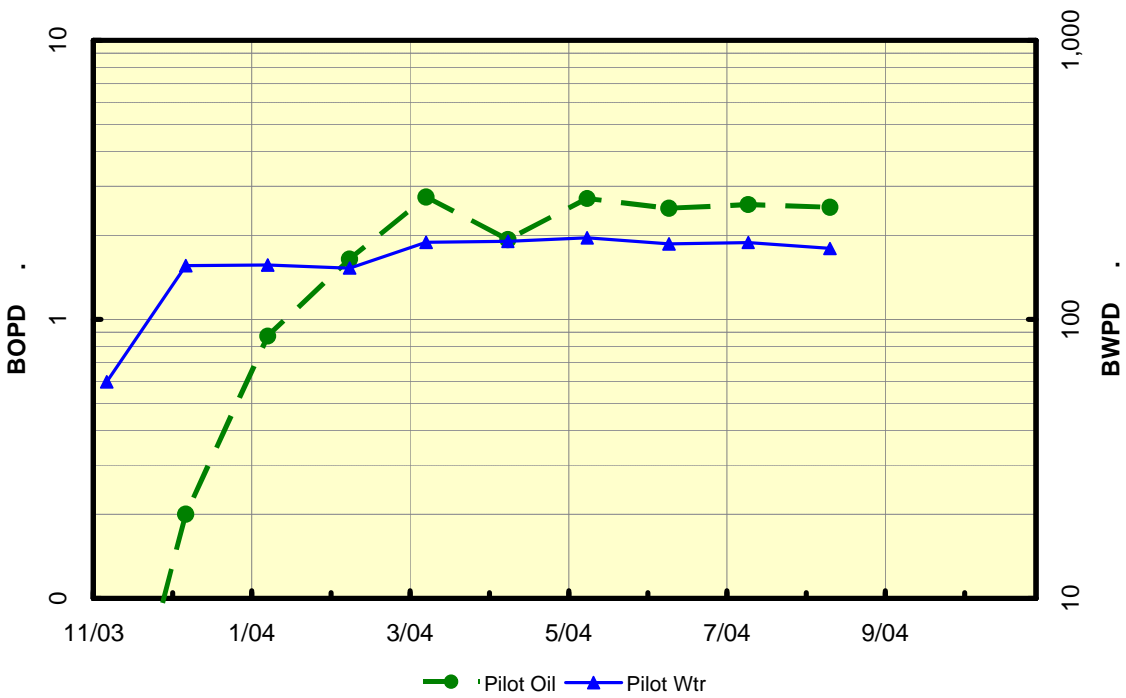




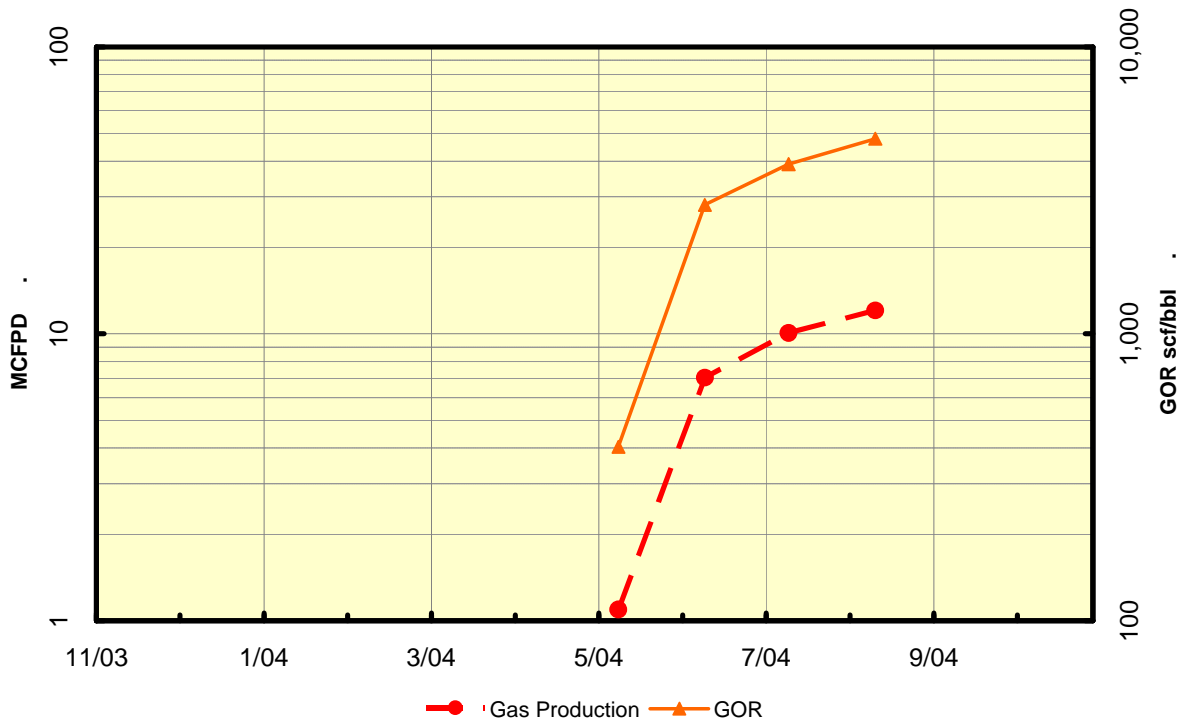
### LKC Pilot Injection



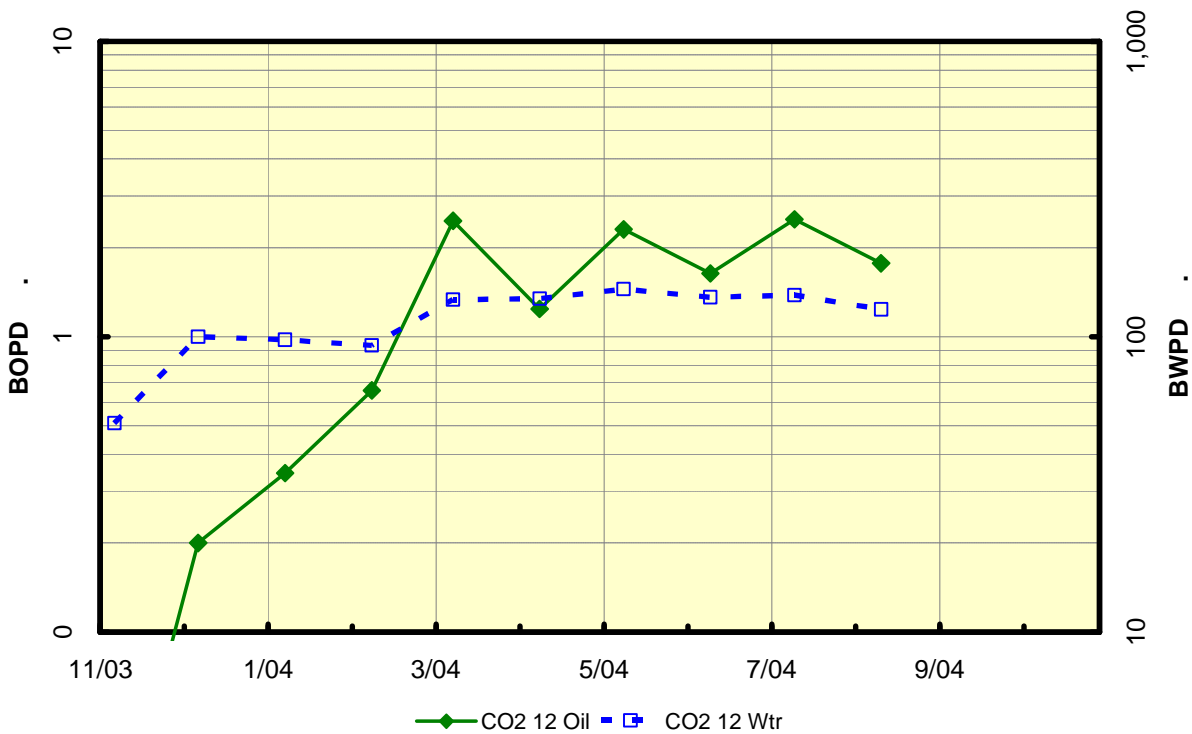
### LKC Pilot Production



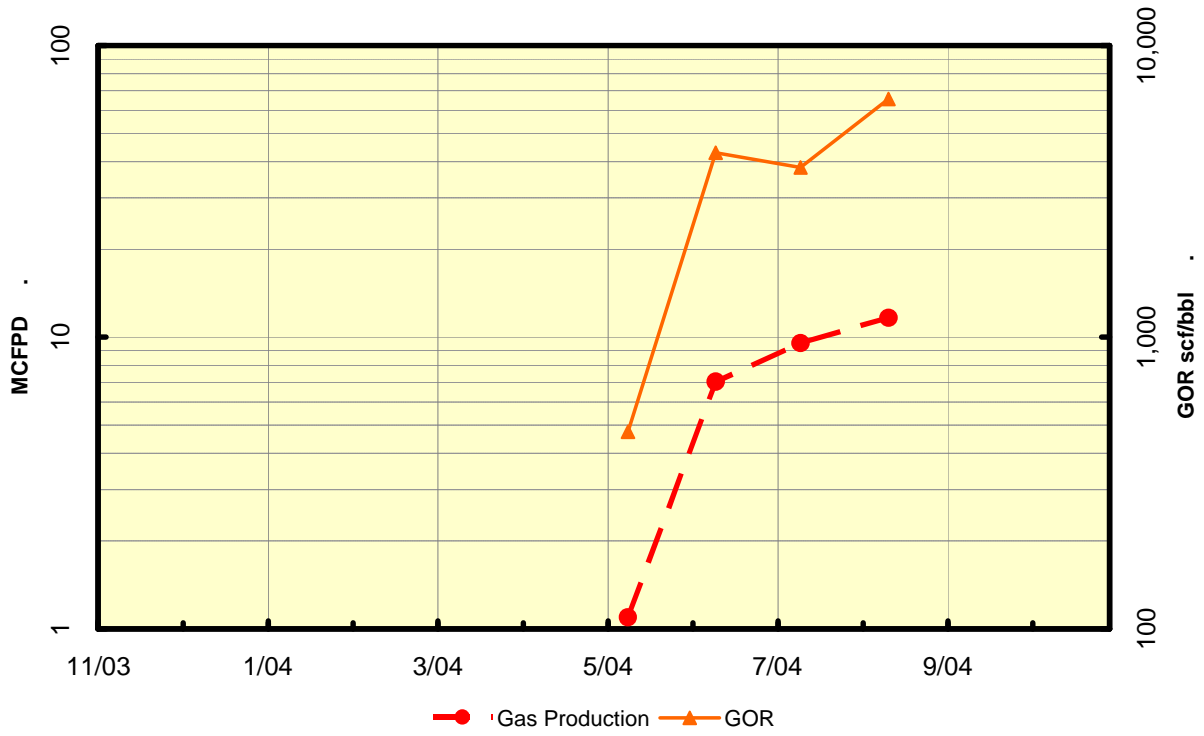
### LKC Pilot Production



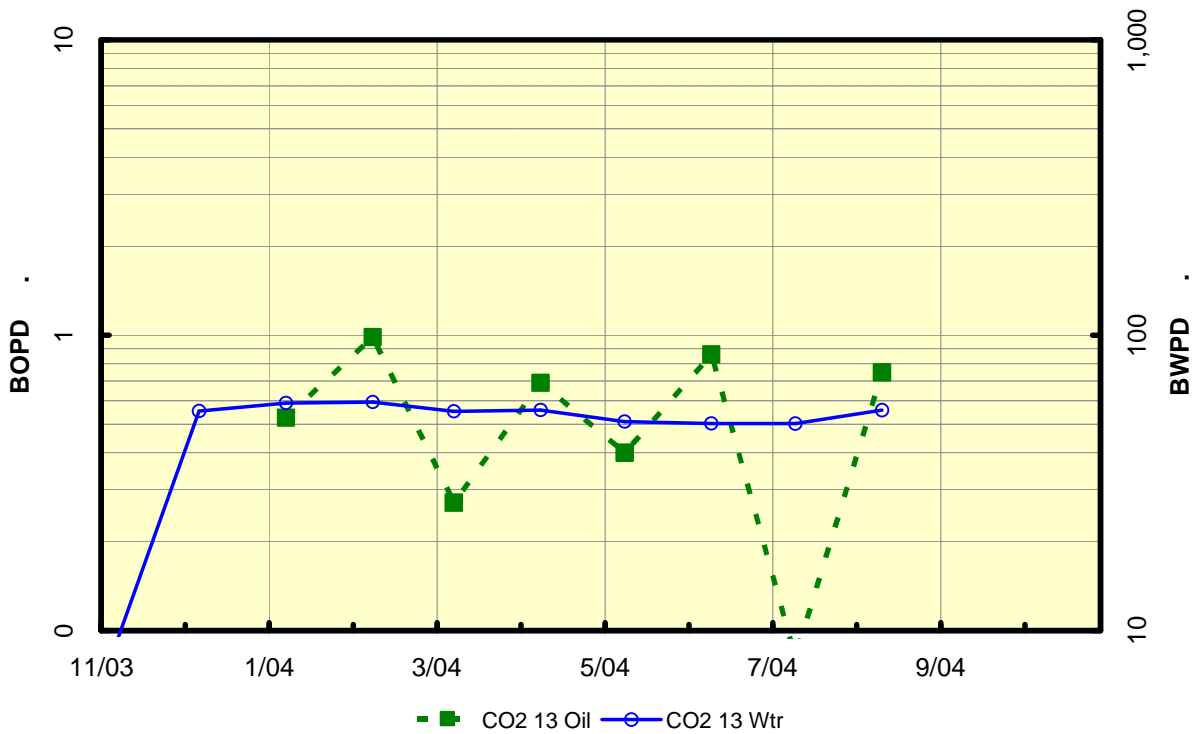
### LKC CO2 12 Production



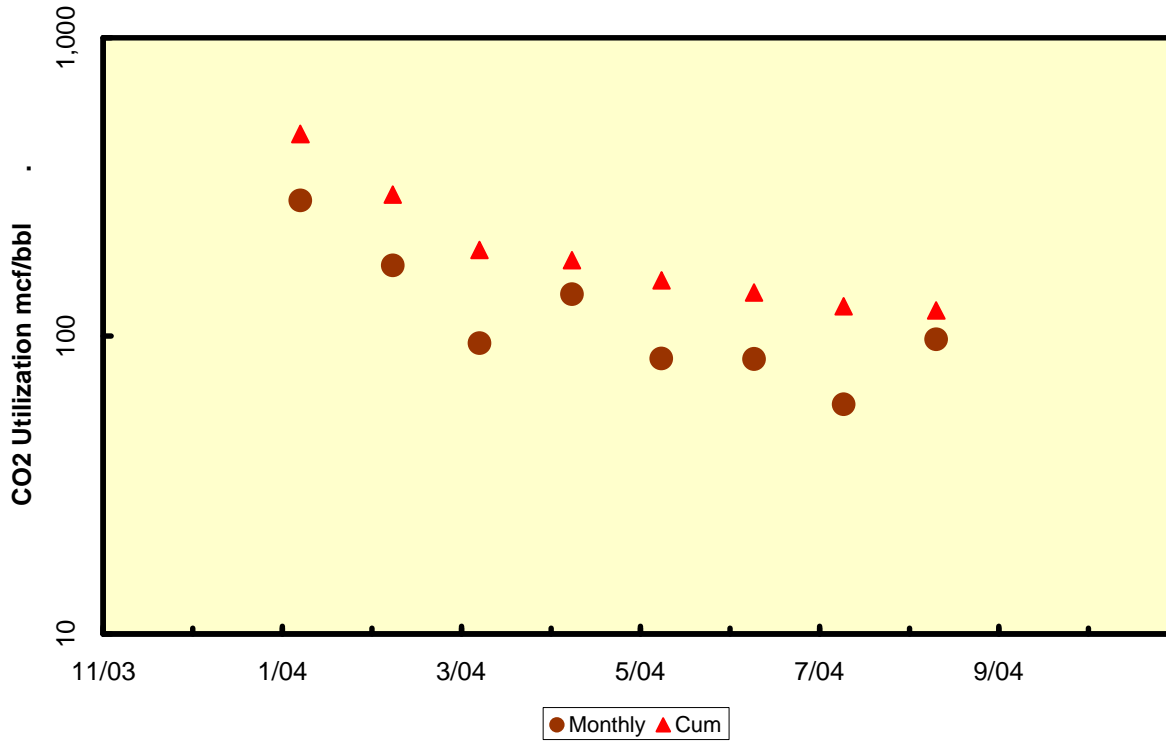
### LKC CO2 12 Gas Production



### LKC CO2 13 Production

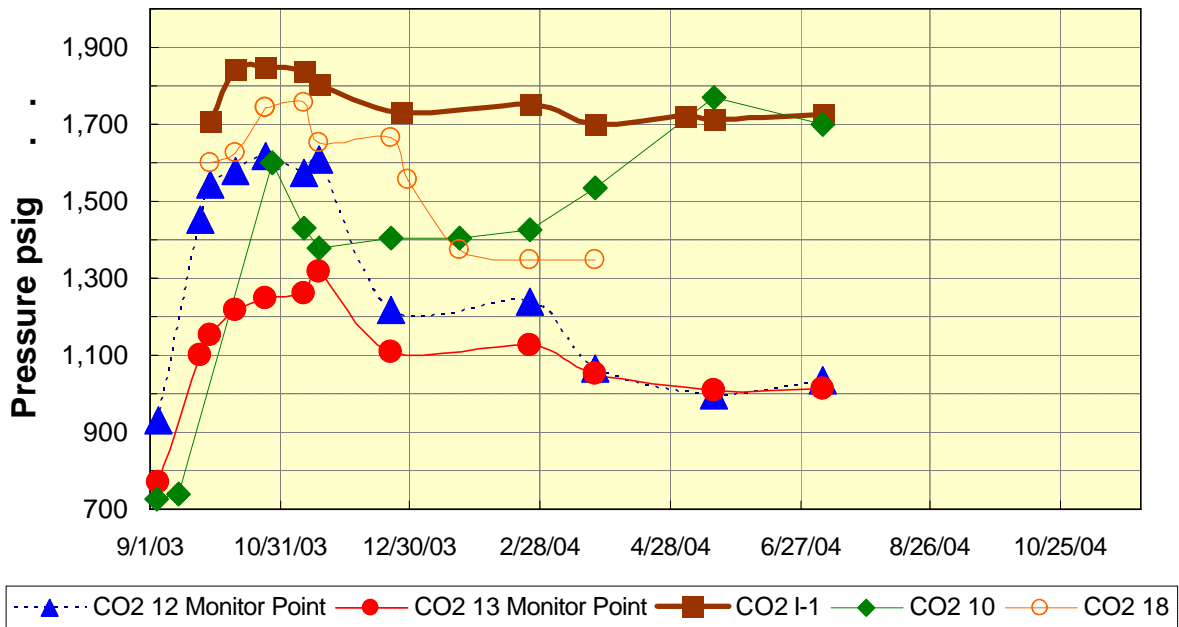


# LKC Pilot





### LKC Pilot Monitor Pressures



### LKC Pilot Monitor Wells

