

Preliminary Monthly Report

June 2004

Injection and total liquid production remain relatively constant for the pilot wells (see attached graphs). Oil production in June averaged 2.5 BOPD. Production for the first 25 days of July has averaged 2.6 BOPD. Gas production continued to increase throughout the month primarily from CO₂ #12. Gas production is not excessive and we currently expect WAG operations may not be required until August or September. GOR trend has stabilized as a result of the production wells being shut-in for BHP information and CO₂ injection down several days for mechanical problems in July. When WAG operations are initiated to control gas production CO₂ injection and deliveries will be stopped for one to two months.

Gas production is primarily from CO₂ #12. CO₂ content of the produced gas in CO₂ #12 is over 90% CO₂. The HC component of the gas has high concentrations of C3 and C4 (54%). This could be the stripped HC's that are frequently displaced in front of the miscible bank. CO₂ #13 still has very little gas production and the gas that is present indicates a high concentration of N₂ (23%) which indicates that some of the production from CO₂ #13 is not from the LKC-C. CO₂ #13 may need to be huff & puff treated with CO₂ to establish an oil relative permeability between the production well and the transition reservoir restriction. Alternately the well could be re-stimulated with acid or fracture treatment. In the short term the well can be produced off to minimize the back pressure on the formation and maximize the production from the well.

Increased injection in CO₂ #10 appears to be reducing the losses to the north. CO₂ #10 still has a cumulative under injection of 497 barrels. At current injection and production rates this underage should be made up by the end of July.

Vent volumes have increased dramatically with the hotter weather as expected. The triplex pump has been replaced with a smaller capacity pump. Vent losses appear to be reduced substantially with the lower recycle volumes. The accumulations to date of the vent and losses to the north are still within an acceptable range for the volume of CO₂ committed to the project.

A second air cooler has been installed keeping the oil temperature within operating range without requiring the use of the heat exchanger. When the heat exchanger is used venting is increased.

Pressures in observation well Carter #2 is essentially stable, Carter #5 and CO₂ #16 demonstrate a slight increasing trend.

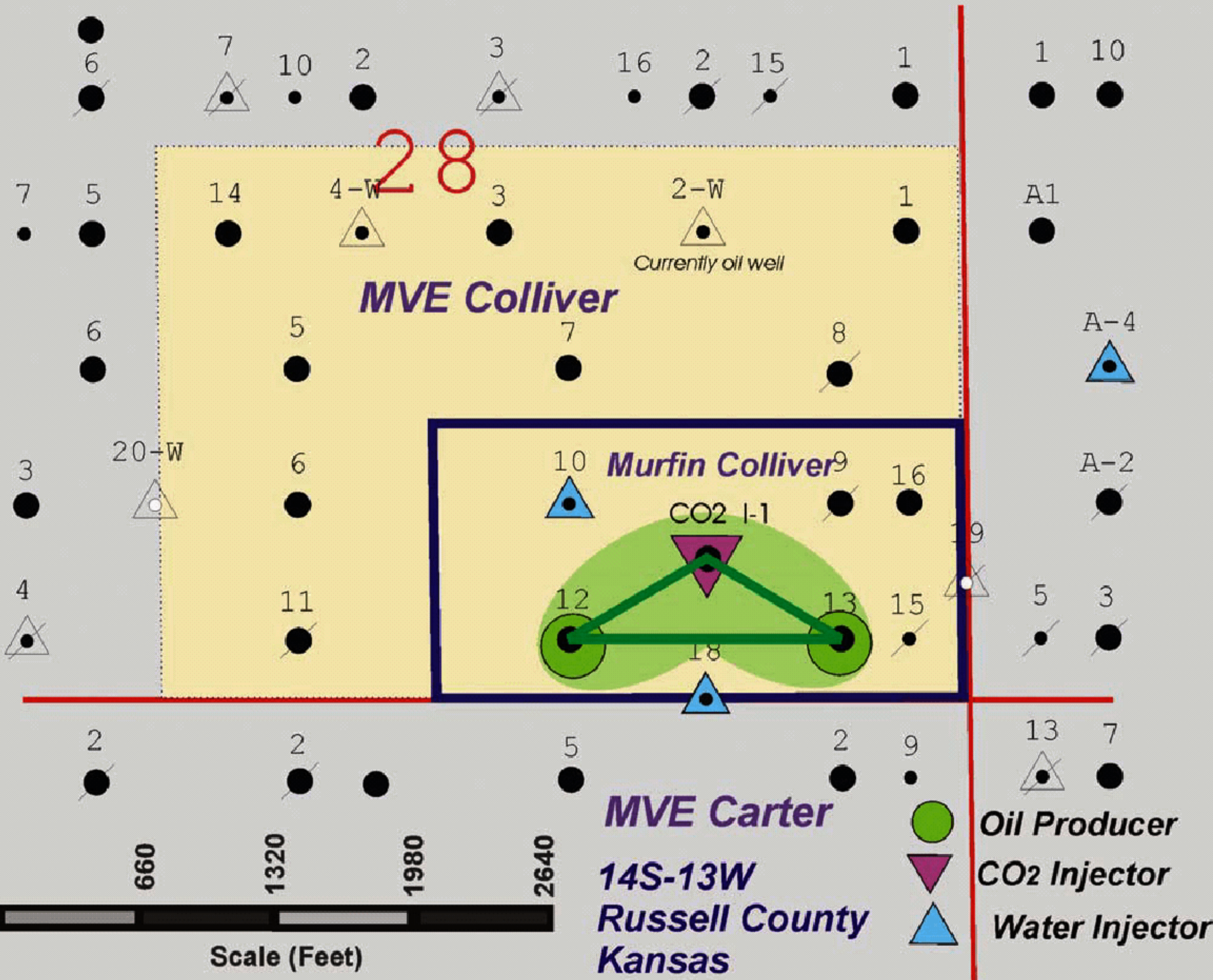
Metering of the CO₂ injection at the well has been completed. This will reduce the high side bias of the measurements at the skid and allow for a more accurate determination of the vent volumes.

Overall CO₂ injection into the processed pattern area has been greater than the production from it. Of the 53,440mscf of CO₂ that has been injected 22,496mcf has been excessive or 42%. Over injection of CO₂ was reduced in May and June injection was in line with the volume required for the anticipated losses to the north. Current cumulative CO₂ losses to the north are in the 40% range however this is being reduced by curtailing over injection of CO₂. This is down from the over 50% losses to the north experienced in the first few months on the pilot.

Attached:

- Pilot Map
- Monthly report
- Injection graph
- Production graph
- CO₂ Utilization
- LKC Pilot monitoring pressure graph
- LKC Pilot monitoring wells pressures graph

CO2 Pilot 10-Acre Pattern

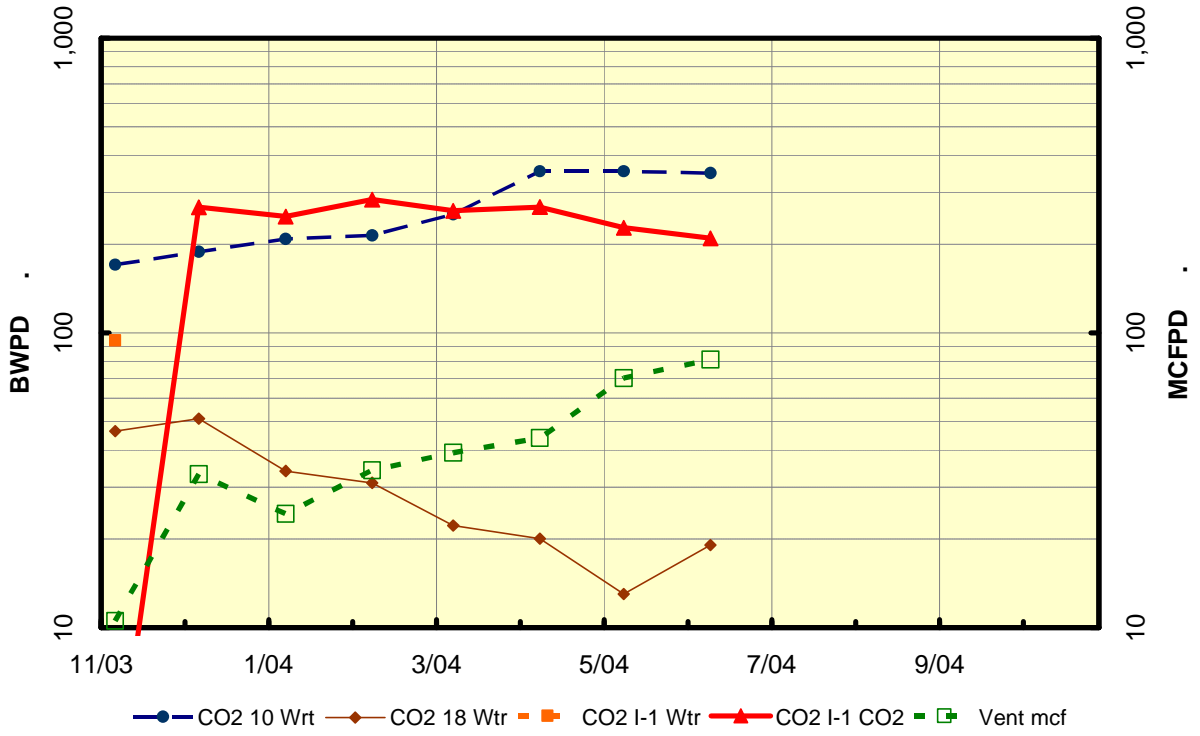


LKC Pilot Preliminary Monthly Report

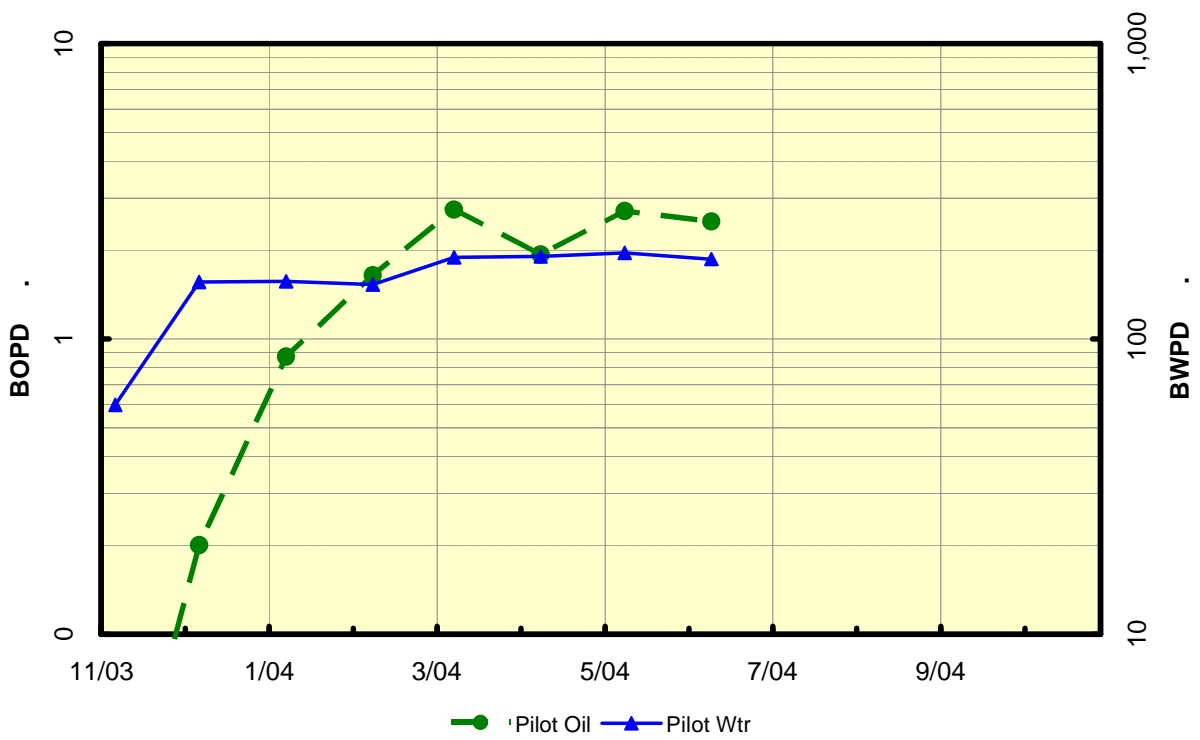
Daily Values

Field			Nov 2003	Dec 2003	Jan 2004	Feb 2004	March 2004	April 2004	May 2004	June 2004	July 2004	Aug 2004	Sept 2004	Oct 2004
Production														
Oil	bbl		0.0	0.2	0.9	1.6	2.7	1.9	2.7	2.5	-	-	-	-
Wtr	bbl		59.8	155.8	156.7	152.8	188.8	190.4	196.1	186.3	-	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	1.1	7.0	-	-	-	-
Injection														
Wtr	bbl		311.1	239.8	242.4	245.0	274.7	373.3	366.6	368.1	-	-	-	-
CO2	mcf		2.7	266.7	248.4	283.5	259.4	267.0	227.5	209.3	-	-	-	-
	MIb		0.3	30.9	29.0	33.1	30.3	31.2	26.5	24.4	-	-	-	-
CO2 Delivered														
	mcf		24.9	303.4	268.1	320.5	300.1	321.9	290.6	300.3	-	-	-	-
	MIb		2.9	35.2	31.1	37.2	34.8	37.3	33.7	34.8	-	-	-	-
Tank Vent														
	mcf		10.6	33.2	24.3	34.2	39.2	44.0	70.2	81.2	-	-	-	-
	MIb		1.2	3.8	2.8	4.0	4.5	5.1	8.1	9.4	-	-	-	-
	% of Injection		387.4%	12.4%	9.8%	12.1%	15.1%	16.5%	30.9%	38.8%	-	-	-	-
Wells														
Production														
CO2 12 Oil	bbl		0.0	0.2	0.3	0.7	2.5	1.2	2.3	1.6	-	-	-	-
Wtr	bbl		50.9	100.1	97.7	93.5	133.6	134.6	145.1	136.0	-	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	1.1	7.0	-	-	-	-
CO2 13 Oil														
Wtr	bbl		0.0	0.0	0.5	1.0	0.3	0.7	0.4	0.9	-	-	-	-
Wtr	bbl		8.9	55.3	59.0	59.4	55.2	55.8	51.0	50.3	-	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-
Injection														
CO2 10 Wtr	bbl		170.4	188.6	208.4	214.0	252.5	353.3	353.6	349.0	-	-	-	-
CO2 18 Wtr	bbl		46.4	51.1	34.0	31.0	22.2	20.0	13.0	19.0	-	-	-	-
CO2 I-1 Wtr	bbl		94.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-

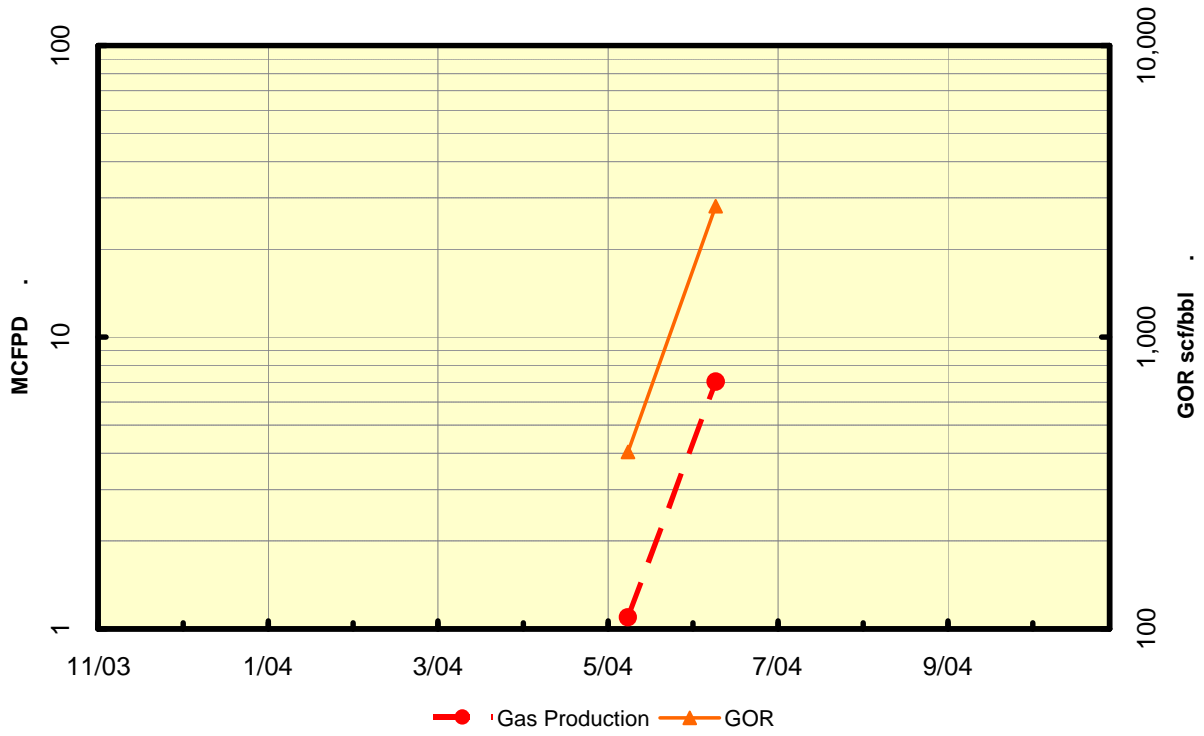
LKC Pilot Injection



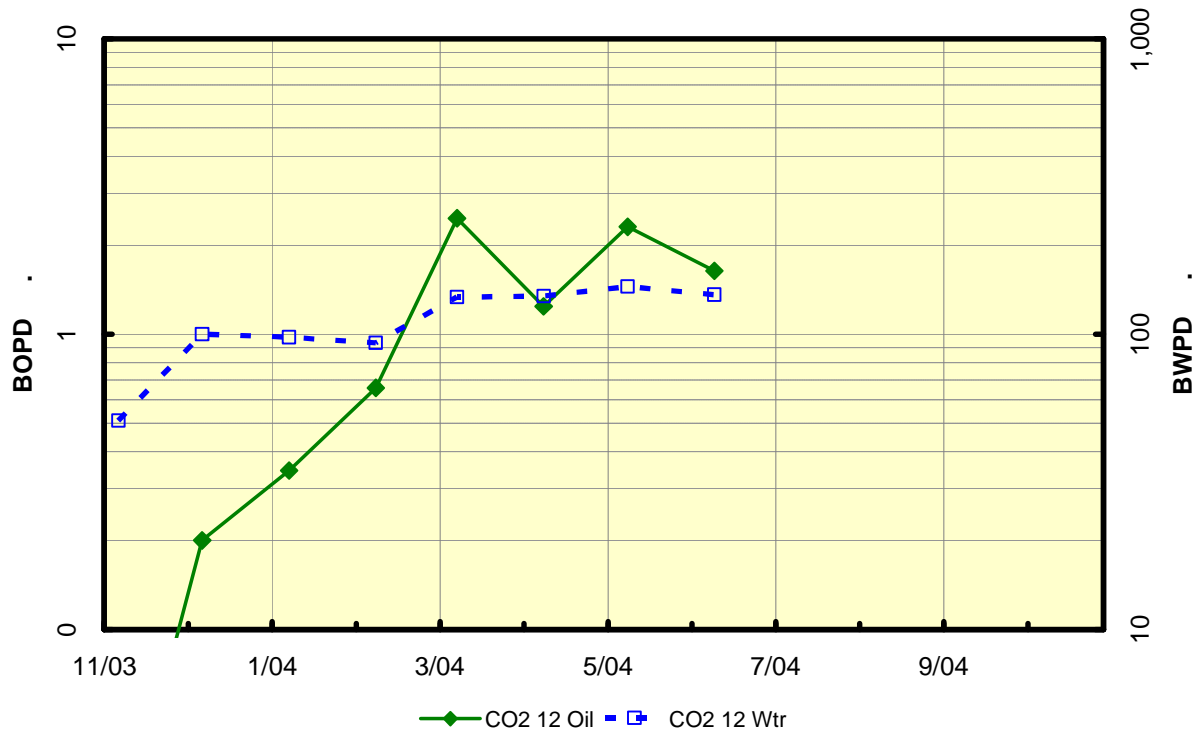
LKC Pilot Production



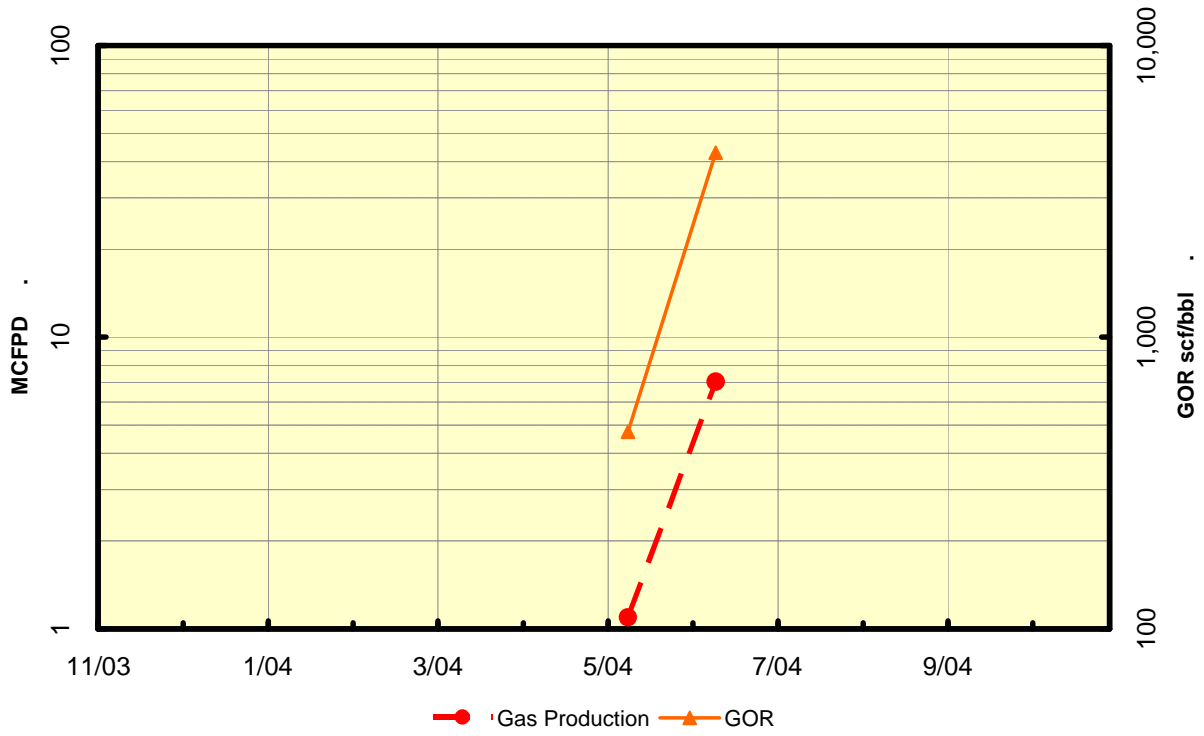
LKC Pilot Production



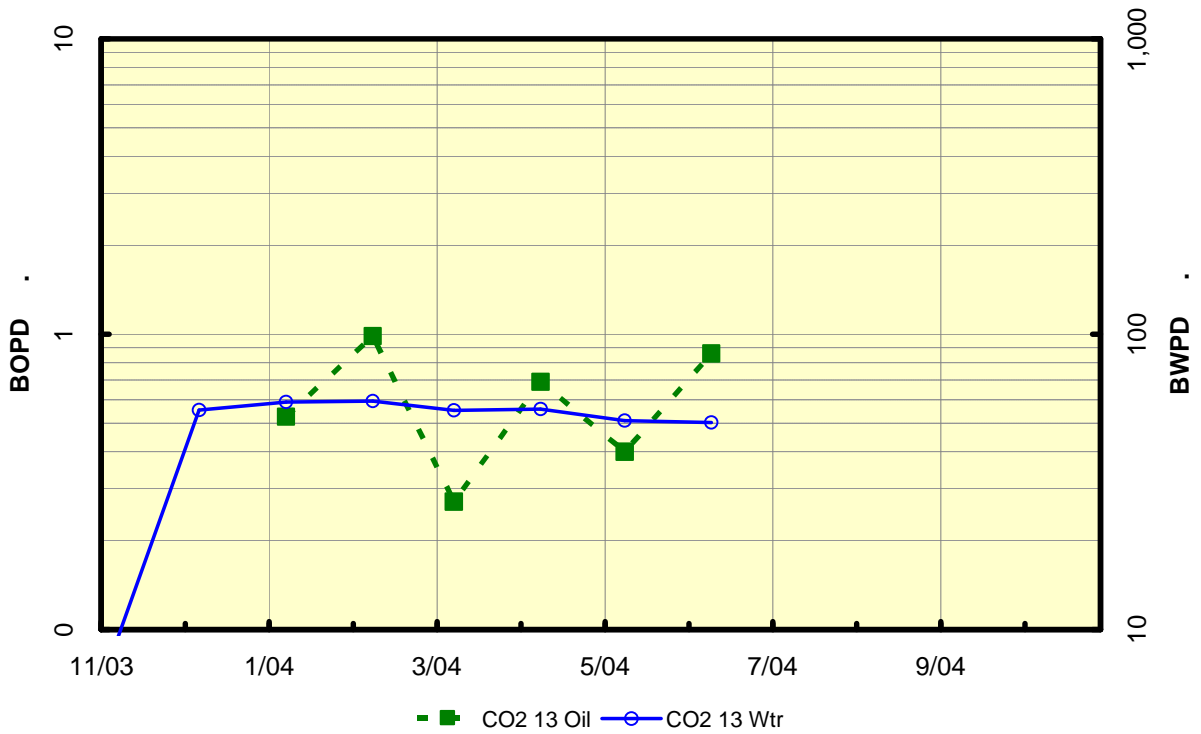
LKC CO2 12 Production



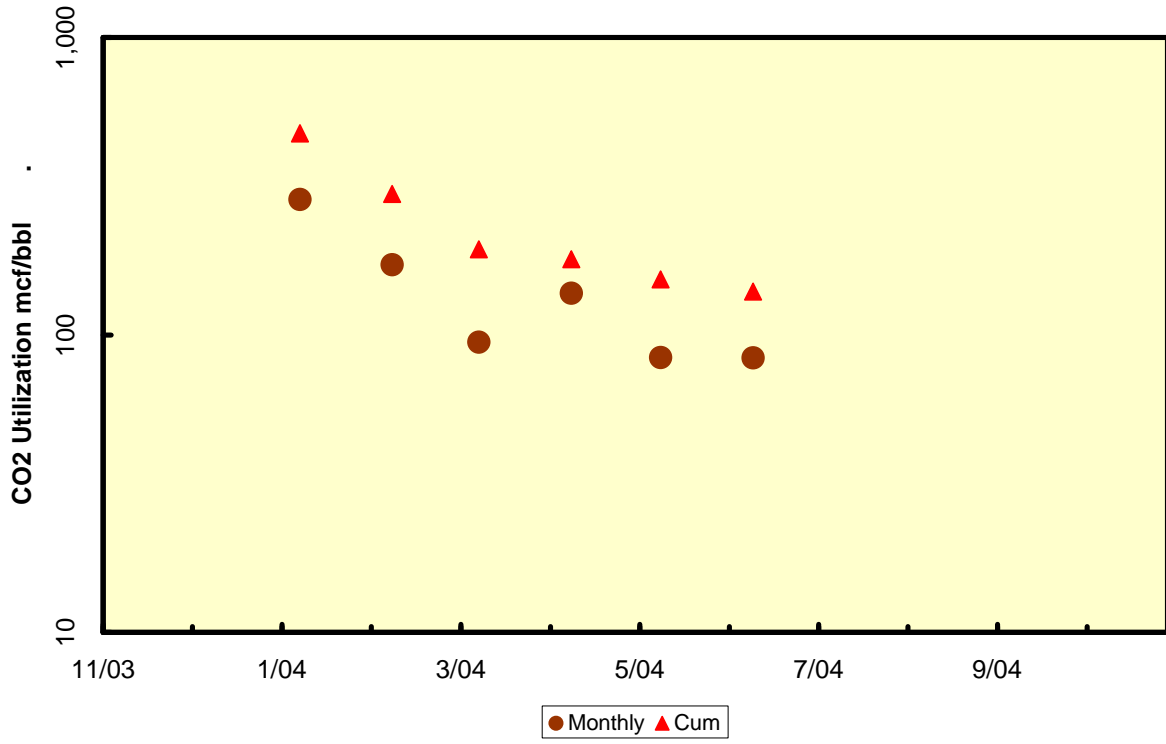
LKC CO2 12 Gas Production



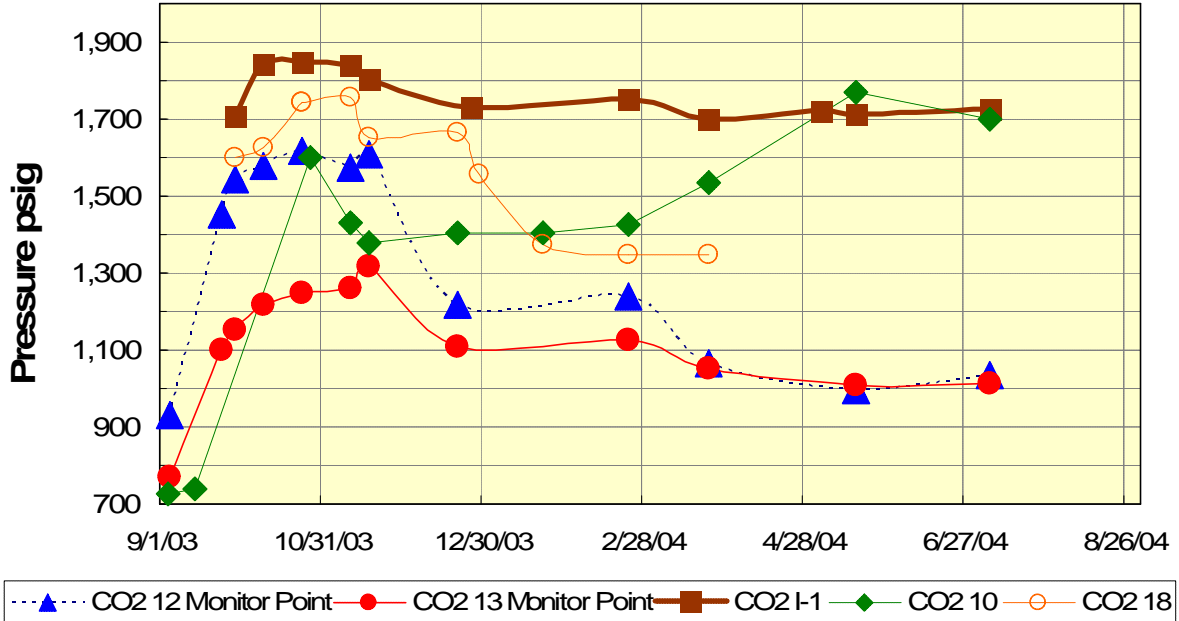
LKC CO2 13 Production



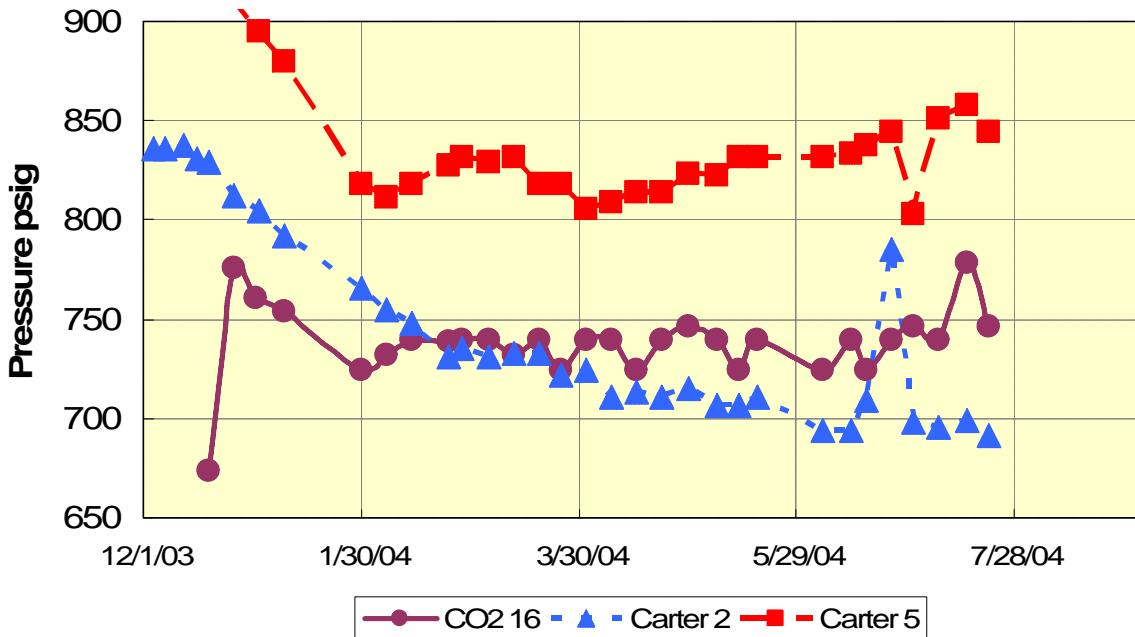
LKC Pilot



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells



LKC Pilot Pressure 7-7-04

