Preliminary Monthly Report

March 2004

Injection, total fluid production, and monitoring pressures points remain relatively constant with the last two months (see attached graphs). Continuous oil production has not been achieved but there is more frequent sporadic oil production. Measurable oil production was reported 77% of the days in February compared only 48% of the days in February and 25% in January. Oil production in March averaged 2.7 BOPD up from 1.6 BOPD in February. Some of the increased production in March was a result of pumping down CO_2 12 and producing the oil that had been trapped in the casing tubing annulus. This accounts for around 12% of the production in March.

No gas production has yet been reported. Our original projection indicated measurable gas could be expected in the latter part of March. Normally a significant oil production increase coincides with the arrival of CO_2 at the production wells. Delay in CO_2 arrival could indicate better displacement but is also affected by the current higher loss of CO_2 out of the CO_2 PPV area.

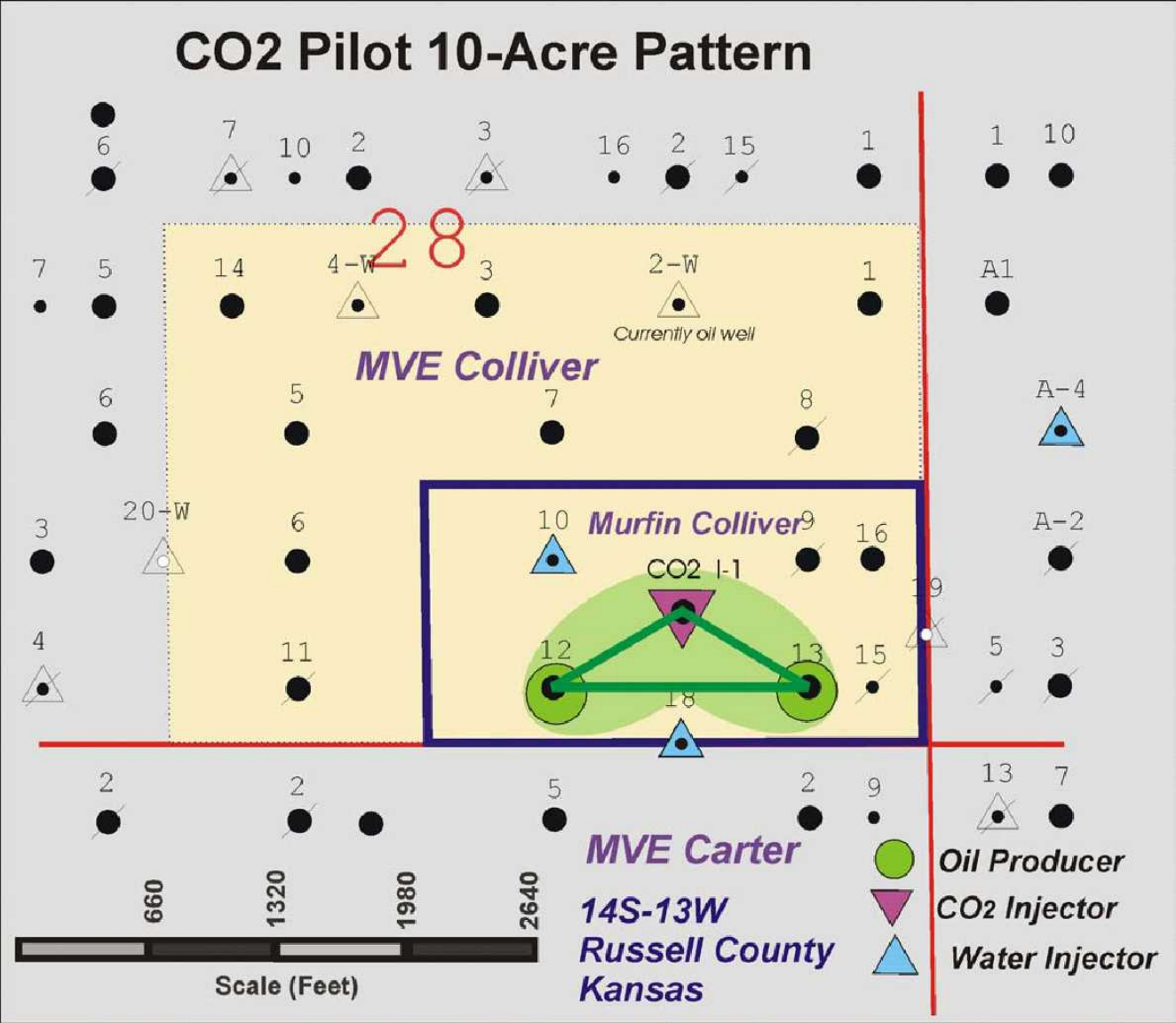
Actual PPV injected within the pilot PPV area after adjusting for meter high side bias and losses out of the area is around 6.2%. At this rate a 10% PPV should be injected before July. This will allow a partial WAG if required during the hotter summer months if required to help control the vent.

Current CO_2 injection rates are excessive based on current production rates. Injection withdrawal ratio after compensating for the expected 25-30% loss out of the pilot process area is over 1.2. Losses out of the pilot floodable area are currently over 40% as a result of the injection and production being out of balance this is an improvement from the previous 50%.

Murfin has installed a larger pump in CO_2 12. This is helping to reduce the losses from the pilot area by being able to pump the well down. This and increased injection in CO_2 10 should reduce the losses out of the PPV area and hopefully bring them in line with the expected 25-30%. If losses out of the PPV pilot area cannot be reduced then the vent rate will need to be controlled more or we could run short of CO_2 for the project.

Attached:

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


CO2 Pilot 10-Acre Pattern
28
MVE Colliver
Currently oil well
Murfin Colliver
CO2 I-1
MVE Carter
14S-13W
Russell County
Kansas
Oil Producer
CO2 Injector
Water Injector
660
1320
1980
2640
Scale (Feet)

LKC Pilot Preliminary Monthly Report

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	Cum	
I/W With 30% North Losses			1.41	1.27	1.45	1.21	-	-	-	-	-	-	-		
PPV Inj CO2 I-1	%		2.9%	5.5%	8.3%	11.1%	-	-	-	-	-	-	-		
Production															
Oil	bbl	0.5	6.2	27.0	47.7	85.0	-	-	-	-	-	-	-	166.4	bbl
Wtr	bbl	1,793.8	4,829.0	4,858.0	4,431.9	5,853.0	-	-	-	-	-	-	-	21.77	Mbbl
Gas	mcf	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	0.0	mcf
Injection															
Wtr	bbl	9,333	7,433	7,514	7,106	8,515	-	-	-	-	-	-	-	39.90	Mbbl
CO2	mcf	81.7	8,267.5	7,699.0	8,222.4	8,042.2	-	-	-	-	-	-	-	32.31	mmcf
	Mlb	9.479	958.773	892.844	953.543	932.646	-	-	-	-	-	-	-	3.75	MMlb
CO2 Delivered															
	mcf	745.7	9,405.5	8,309.6	9,294.0	9,304.4	-	-	-	-	-	-	-	37.06	mmcf
	Mlb	86.48	1,090.74	963.7	1,077.8	1,079.0	-	-	-	-	-	-	-	4.30	MMlb
	Tons	43.2	545.4	481.8	538.9	539.5	-	-	-	-	-	-	-	2,149	Tons
Tank Vent															
	mcf	316.6	1,077.2	798.9	1,039.9	1,262.2	-	-	-	-	-	-	-	4.49	mmcf
	Mlb	36.72	124.92	92.64	120.59	146.38	-	-	-	-	-	-	-	0.52	MMlb
% of Injection		387.4%	13.0%	10.4%	12.6%	15.7%	-	-	-	-	-	-	-	13.9%	
Wells															
Production															
CO2 12 Oil	bbl	0.5	6.2	10.7	19.1	76.6	-	-	-	-	-	-	-	113.1	bbl
Wtr	bbl	1,528	3,105	3,029	2,710.3	4,141.0	-	-	-	-	-	-	-	14.51	Mbbl
Gas	mcf	0	0	0	0.0	0.0	-	-	-	-	-	-	-	0.0	mcf
CO2 13 Oil	bbl	0.0	0.0	16.3	28.6	8.4	-	-	-	-	-	-	-	53.3	bbl
Wtr	bbl	266	1,716	1,829	1,722	1,711	-	-	-	-	-	-	-	7.24	Mbbl
Gas	mcf	0	0	0	0	0	-	-	-	-	-	-	-	0.0	mcf
Injection															
CO2 10 Wtr	bbl	5,113	5,848	6,460	6,207.0	7,827.0	-	-	-	-	-	-	-	31.46	Mbbl
CO2 18 Wtr	bbl	1,391	1,585	1,054	899	688	-	-	-	-	-	-	-	5.62	Mbbl
CO2 I-1 Wtr	bbl	2,829	0	0	0	0	-	-	-	-	-	-	-	2.83	Mbbl
Vent During Loading		5.2%		5.8%											

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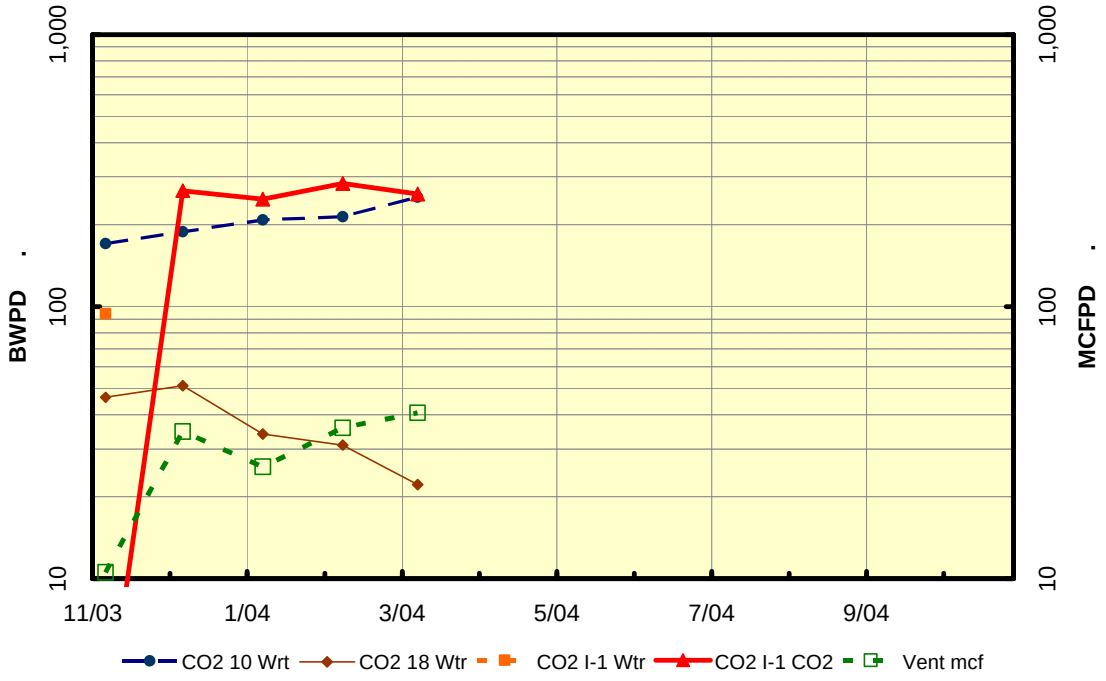
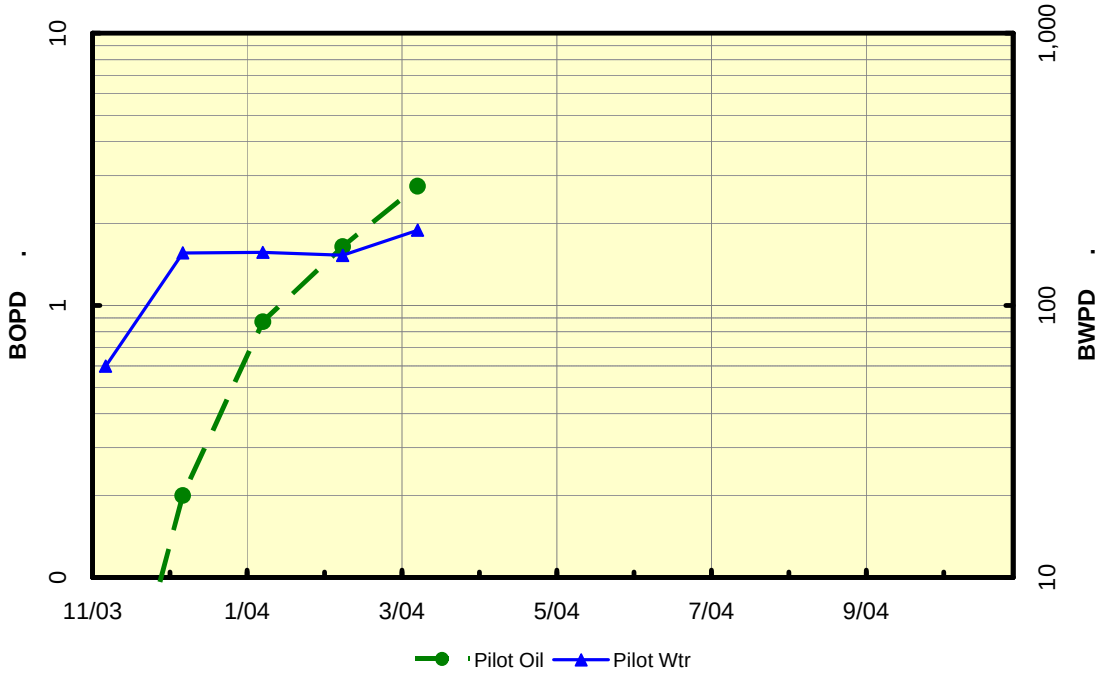
Daily Values

			Nov 2003	Dec 2003	Jan 2004	Feb 2004	March 2004	April 2004	May 2004	June 2004	July 2004	Aug 2004	Sept 2004	Oct 2004
Field														
Production														
	Oil	bbl	0.0	0.2	0.9	1.6	2.7	-	-	-	-	-	-	-
	Wtr	bbl	59.8	155.8	156.7	152.8	188.8	-	-	-	-	-	-	-
	Gas	mcf	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-
Injection														
	Wtr	bbl	311.1	239.8	242.4	245.0	274.7	-	-	-	-	-	-	-
	CO2	mcf	2.7	266.7	248.4	283.5	259.4	-	-	-	-	-	-	-
		Mlb	0.3	30.9	28.8	32.9	30.1	-	-	-	-	-	-	-
CO2 Delivered														
		mcf	24.9	303.4	268.1	320.5	300.1	-	-	-	-	-	-	-
		Mlb	2.9	35.2	31.1	37.2	34.8	-	-	-	-	-	-	-
Tank Vent														
		mcf	10.6	34.7	25.8	35.9	40.7	-	-	-	-	-	-	-
		Mlb	1.2	4.0	3.0	4.2	4.7	-	-	-	-	-	-	-
	% of Injection		387.4%	13.0%	10.4%	12.6%	15.7%	-	-	-	-	-	-	-
Wells														
Production														
CO2 12	Oil	bbl	0.0	0.2	0.3	0.7	2.5	-	-	-	-	-	-	-
	Wtr	bbl	50.9	100.1	97.7	93.5	133.6	-	-	-	-	-	-	-
	Gas	mcf	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-
CO2 13	Oil	bbl	0.0	0.0	0.5	1.0	0.3	-	-	-	-	-	-	-
	Wtr	bbl	8.9	55.3	59.0	59.4	55.2	-	-	-	-	-	-	-
	Gas	mcf	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	-	-	-	-	-	-	-
CO2 18	Wtr	bbl	46.4	51.1	34.0	31.0	22.2	-	-	-	-	-	-	-
CO2 I-1	Wtr	bbl	94.3	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-

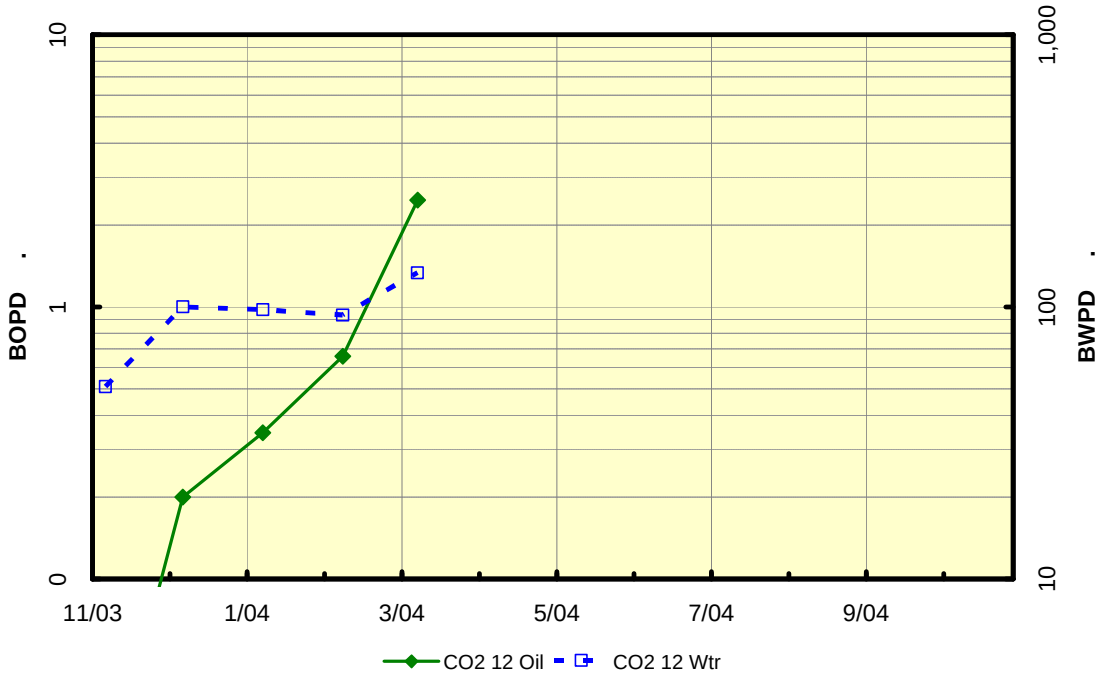
LKC Pilot Injection



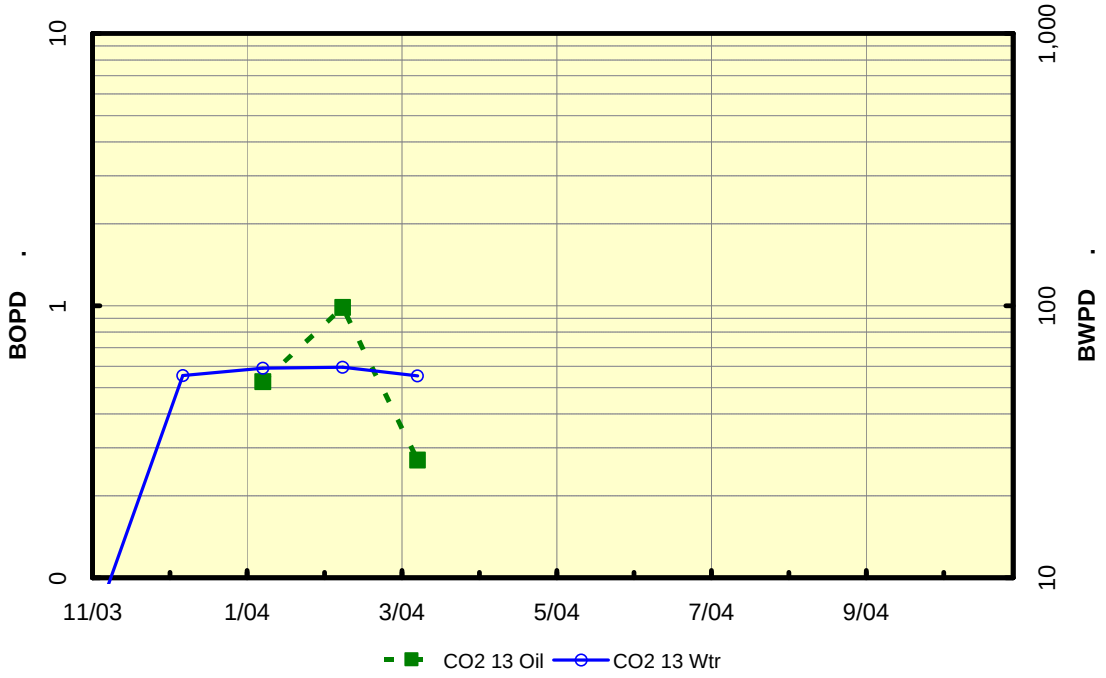
LKC Pilot Production



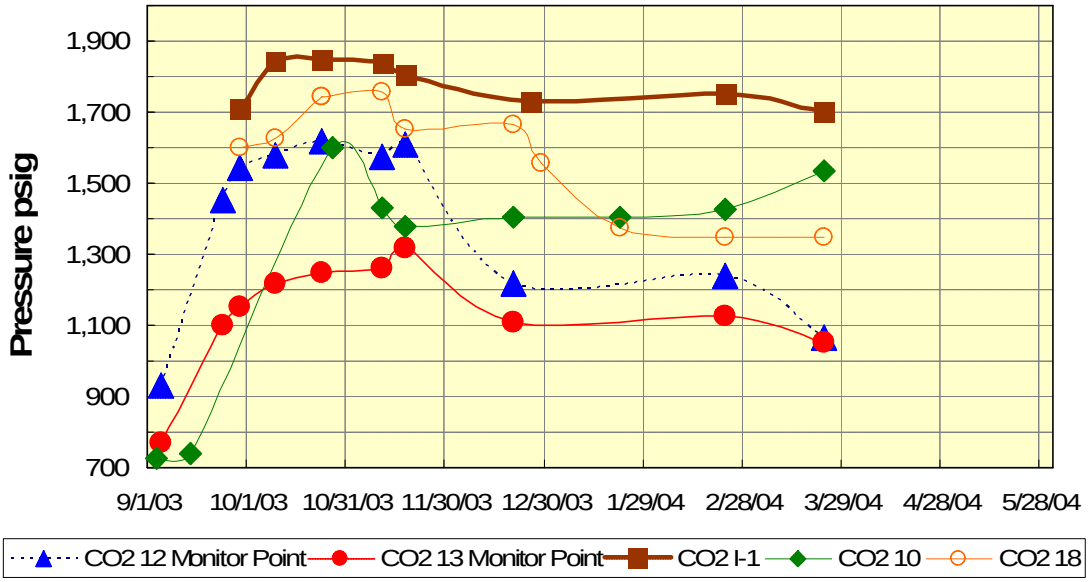
LKC CO2 12 Production



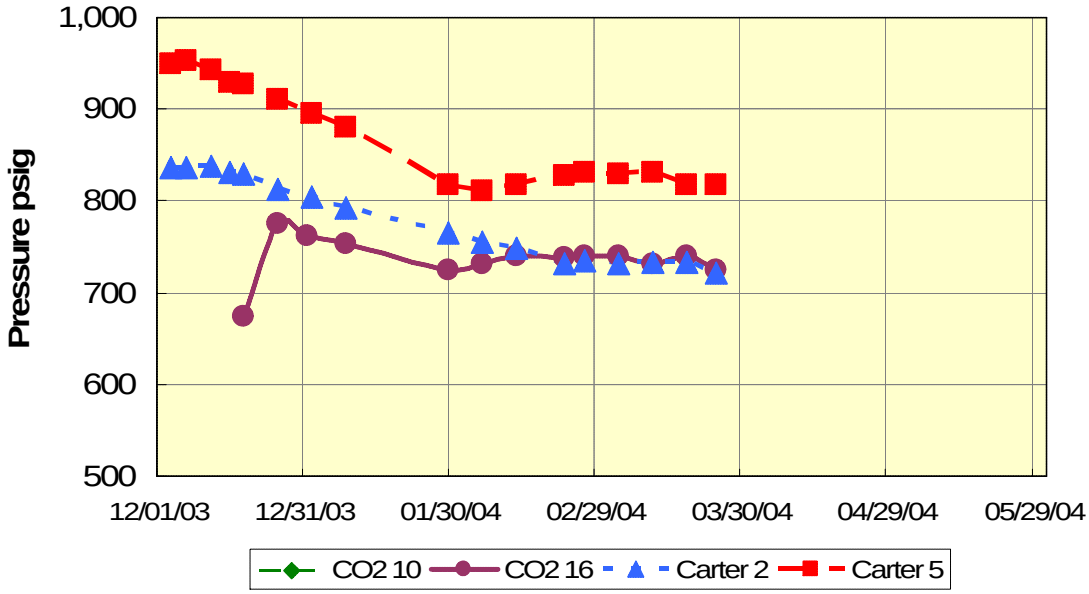
LKC CO2 13 Production



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells



Appendix March 2004 Preliminary Monthly Report

- I/W ratio determined based on the average gas saturation weighted volumetric average pressure within the CO_2 PPV envelope of 1,257.8psig (1,272.5psia) determined from the February pressure survey and 99^{o}F reservoir temperature. This is should be the average volumetric pressure of the CO_2 after we have production. Given that we currently do not have CO_2 production we have estimated the current average CO_2 pressure is 1,388psig based on the Bg required for a unity I/W.
- Injection pressure for CO_2 I-1 is frequently less than the maximum indicating that there is additional injection capacity that can be utilized if injection pressure can be controlled better.
- March production was allocated using the reported well test plus the implied test on CO_2 13 when CO_2 12 was SI for its workover.