

Preliminary Monthly Report

May 2004

Injection and total fluid production remain relatively constant for the pilot wells (see attached graphs). Continuous oil production was achieved for the first time in May and averaged 2.7 BOPD. Production for the first 15 days of June has averaged 2.5 BOPD.

Sustained gas production was established in May for the first time. However, no CO₂ production beyond background has been indicated. CO₂ #12 gas analysis indicates low methane and high intermediates. This could be an indication of the CO₂ mixing with the oil. It could also be an indication that the current oil and gas production is more related to the reservoir architecture. Gas gravity from CO₂ #12 is higher than for CO₂. Current oil and gas production along with the Amott test suggests that the oomoldic architecture is playing more of an effect on the displacement than was originally expected. Gas analysis on CO₂ #12 also indicated 0.441% (4,410ppmv) of H₂S. Repeatability of the H₂S, H₂S regulations, and H₂S monitoring needs to be looked into.

Increased injection in CO₂ #10 appears to be reducing the losses to the north. CO₂ #10 still has a cumulative under injection of 969 barrels. At current injection and production rates this underage should be made up by mid July.

Vent volumes have increased dramatically with the hotter weather as expected. The triplex pump needs overhauling and we understand it will be replaced with a smaller capacity pump. This will reduce the high pressure recycle and vent 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 and is expected to keep the oil temperature within operating range without requiring the use of the heat exchanger. When the heat exchanger is used venting is increased.

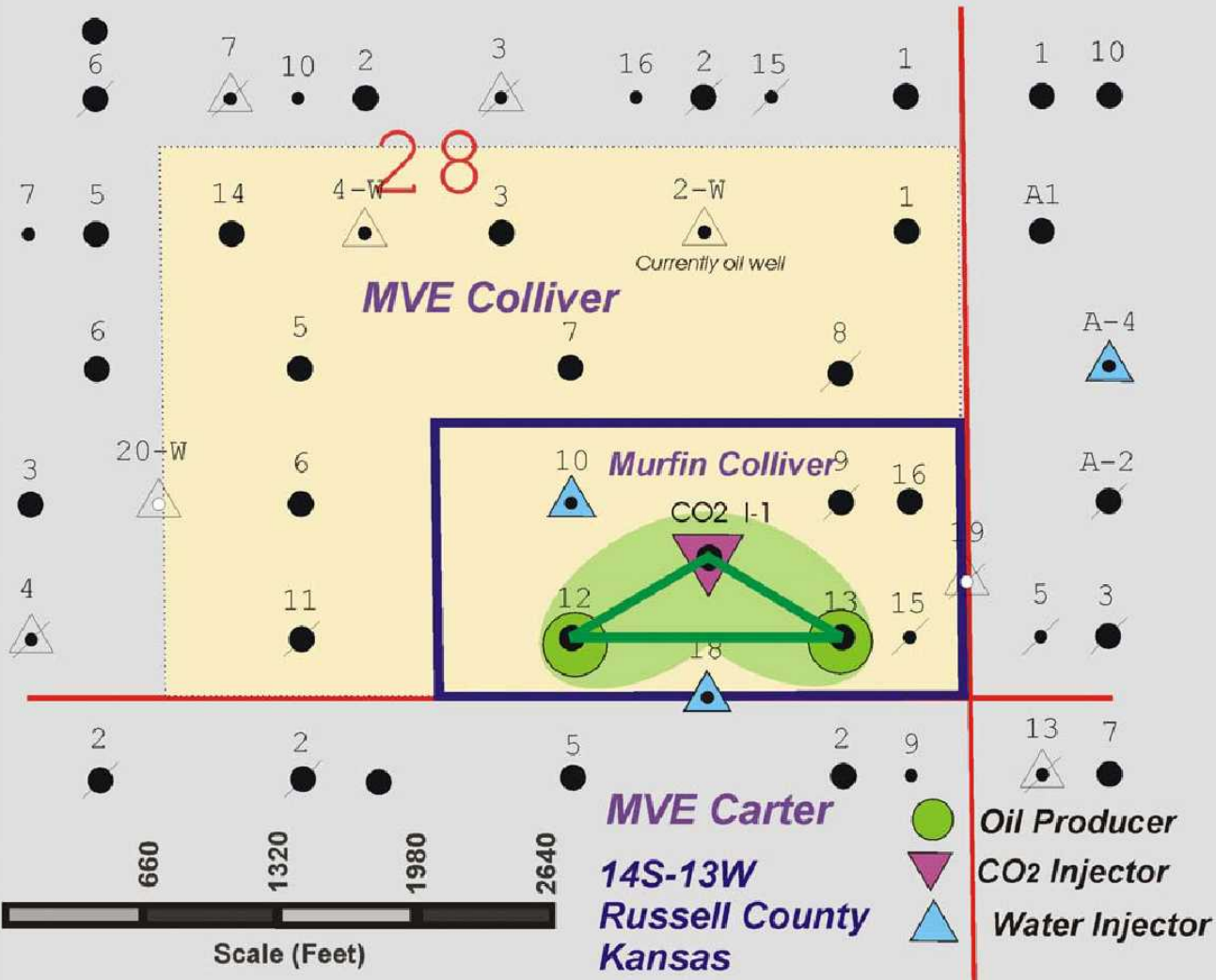
Pressures in observation wells Carter #2, Carter #5 and CO₂ #16 are essentially stable.

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.

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

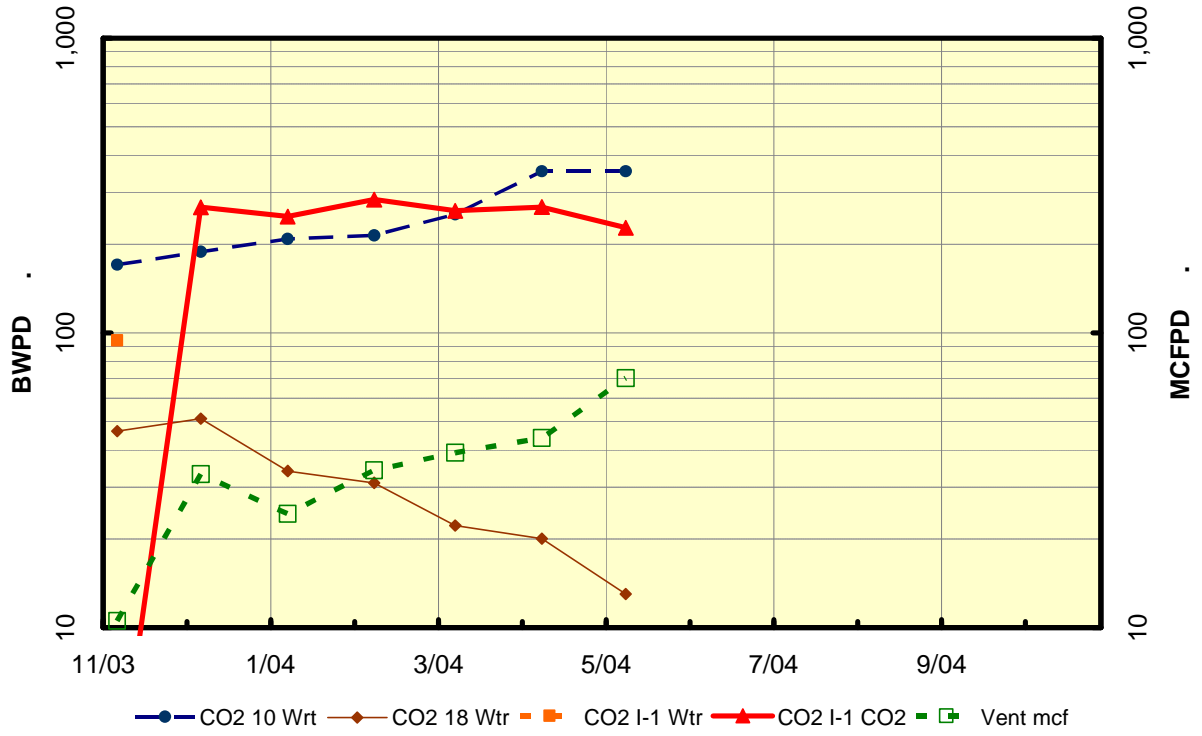


LKC Pilot Preliminary Monthly Report

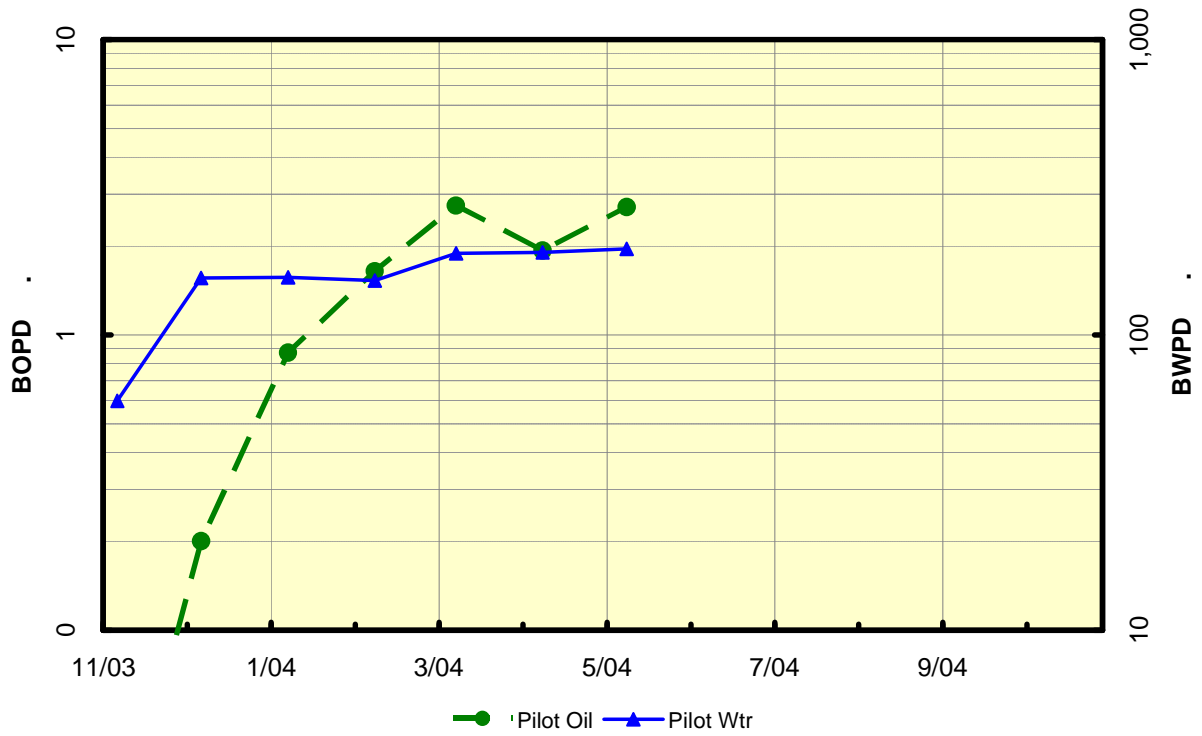
Daily Values

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	-	-	-	-	-
Wtr	bbl		59.8	155.8	156.7	152.8	188.8	190.4	196.1	-	-	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	1.1	-	-	-	-	-
Injection														
Wtr	bbl		311.1	239.8	242.4	245.0	274.7	373.3	366.6	-	-	-	-	-
CO2	mcf		2.7	266.7	248.4	283.5	259.4	267.0	227.5	-	-	-	-	-
	Mlb		0.3	30.9	29.0	33.1	30.3	31.2	26.5	-	-	-	-	-
CO2 Delivered														
	mcf		24.9	303.4	268.1	320.5	300.1	321.9	290.6	-	-	-	-	-
	Mlb		2.9	35.2	31.1	37.2	34.8	37.3	33.7	-	-	-	-	-
Tank Vent														
	mcf		10.6	33.2	24.3	34.2	39.2	44.0	70.2	-	-	-	-	-
	Mlb		1.2	3.8	2.8	4.0	4.5	5.1	8.1	-	-	-	-	-
	% of Injection		387.4%	12.4%	9.8%	12.1%	15.1%	16.5%	30.9%	-	-	-	-	-
Wells														
Production														
CO2 12 Oil	bbl		0.0	0.2	0.3	0.7	2.5	1.2	2.3	-	-	-	-	-
Wtr	bbl		50.9	100.1	97.7	93.5	133.6	134.6	145.1	-	-	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	1.1	-	-	-	-	-
CO2 13 Oil														
Oil	bbl		0.0	0.0	0.5	1.0	0.3	0.7	0.4	-	-	-	-	-
Wtr	bbl		8.9	55.3	59.0	59.4	55.2	55.8	51.0	-	-	-	-	-
Gas	mcf		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	-	-	-	-	-
CO2 18 Wtr	bbl		46.4	51.1	34.0	31.0	22.2	20.0	13.0	-	-	-	-	-
CO2 I-1 Wtr	bbl		94.3	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-

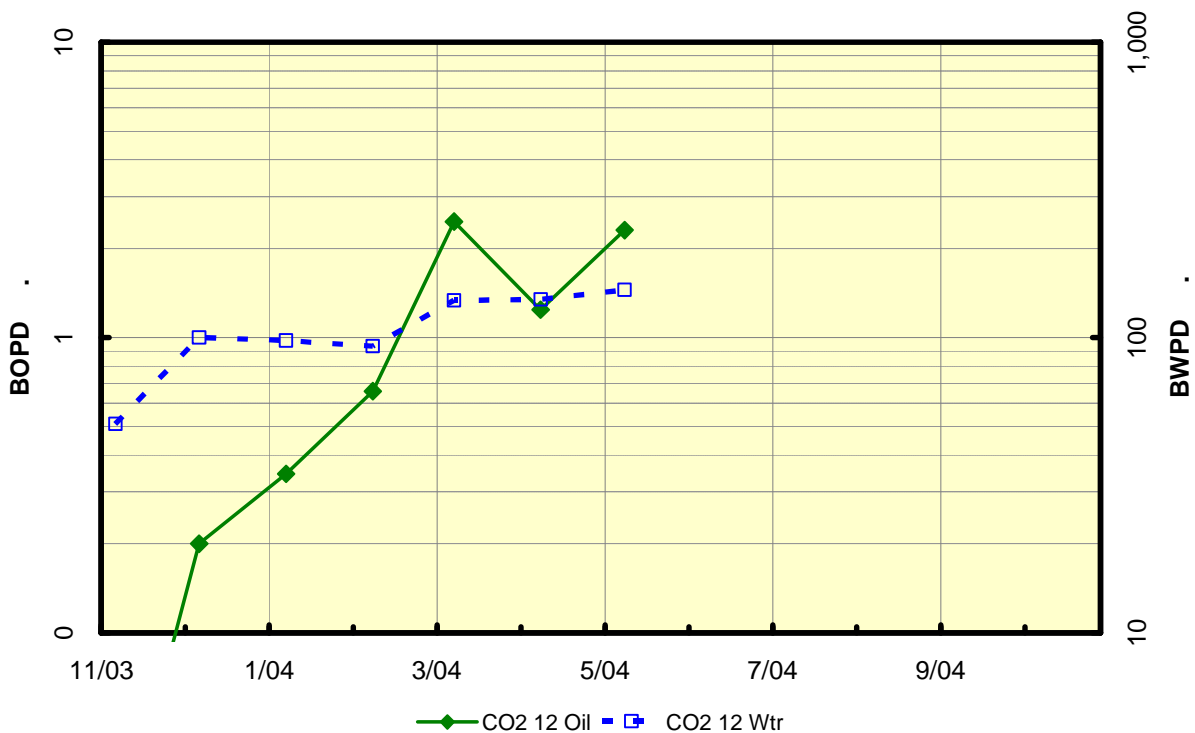
LKC Pilot Injection



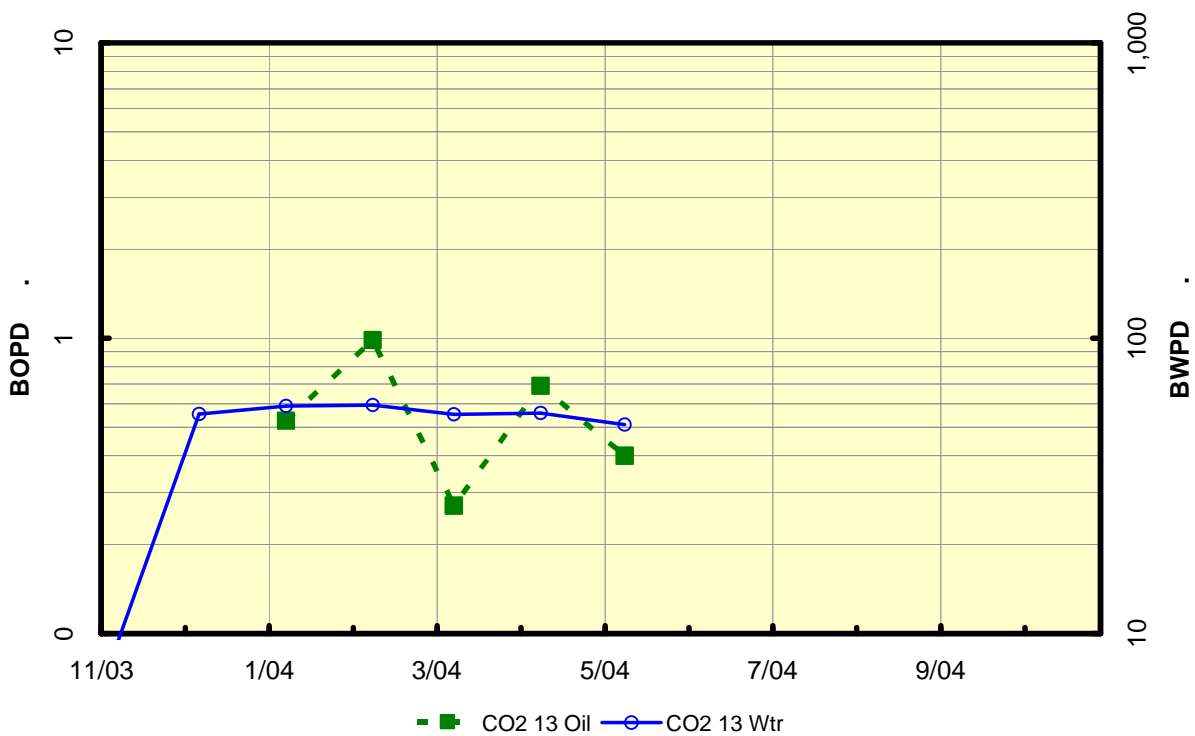
LKC Pilot Production



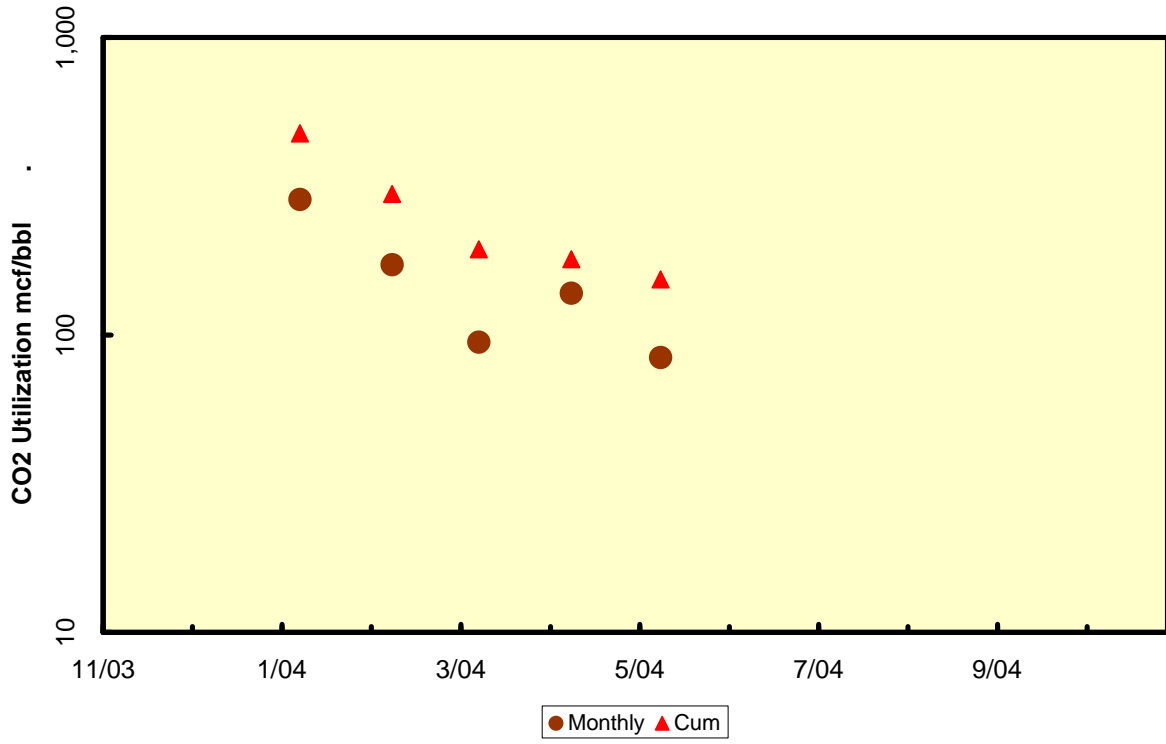
LKC CO2 12 Production



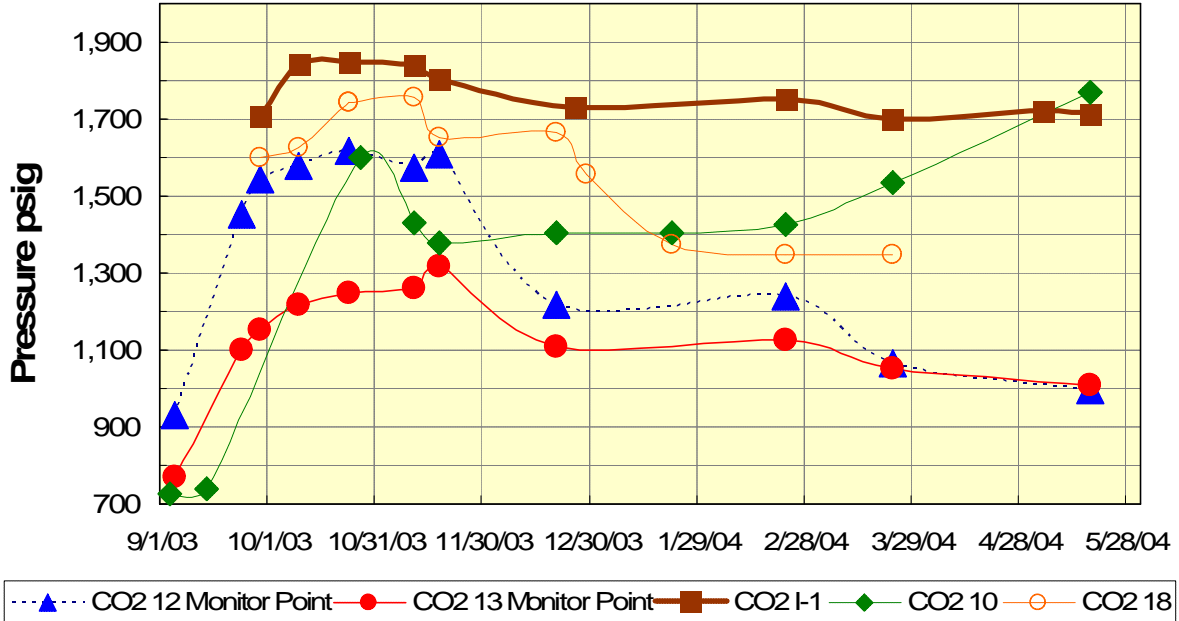
LKC CO2 13 Production



LKC Pilot



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells

