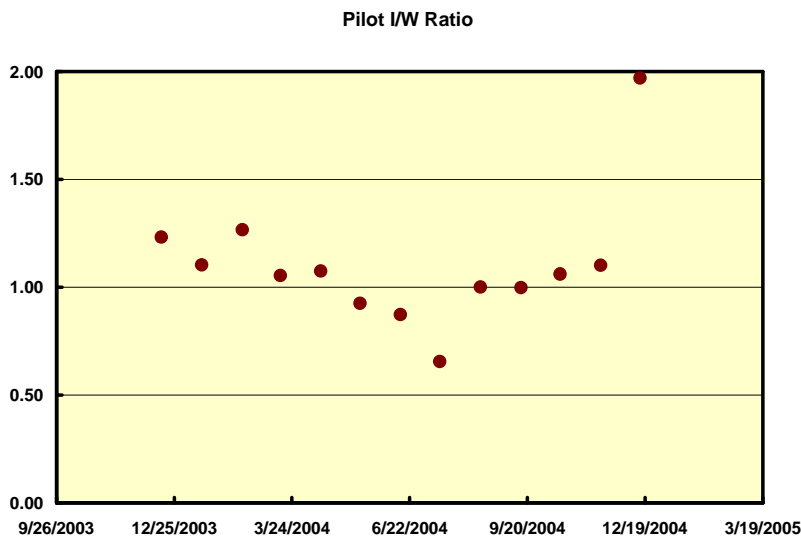


Preliminary Monthly Report

November & December 2004

Total liquid production decreased for the pilot wells (see attached graphs). Oil production was 1.4 and 1.3 BOPD in November and December compared to 3.0 BOPD for October. Production for the first 16 days of January has averaged 3.4 BOPD. Excluding 1/13/04, which was non-typical, production has averaged 2.1 BOPD in January excluding 1/13/04.

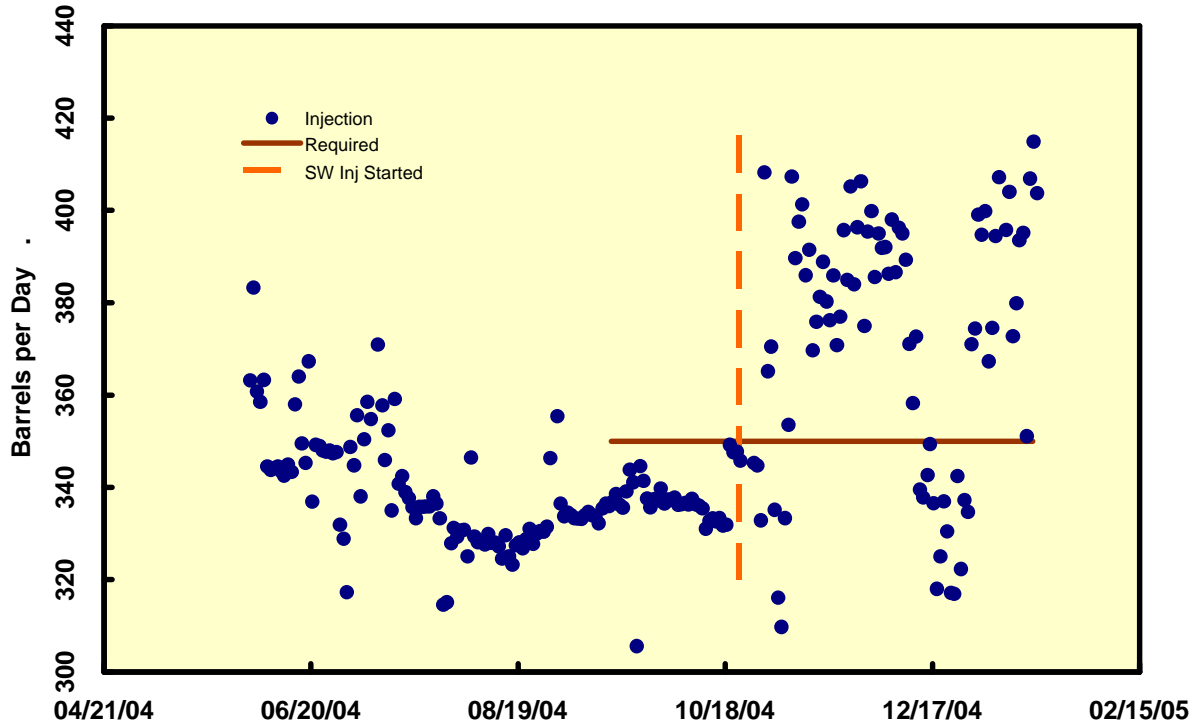
The efficiency of the CO₂ displacement process continues to deteriorate as can be seen in upward trend on the CO₂ utilization plot. The plot over accentuates the problem due to the over injection of CO₂ in December as indicated by the high injection withdrawal ratio and the pumping problems with CO₂ 12. Making adjustments for both of these problems the CO₂ efficiency still appears to be decreasing.



CO₂ 13 was treated with CO₂ December 10, 2004 and shut-in until January 4, 2005. This is an attempt to stimulate the non aqueous relative permeability around the well and to the restrictive flow area between CO₂ I-1 and CO₂ 13.

CO₂ 10 has been injecting produced water since 10/22/2004. Produced water is not injected on a continuously. Daily reports indicate instantaneous injection rates 2-3 times the required rate and what could be maintained with constant injection with fresh water. If these rates are actual being achieved they could be aggravating the pumping problems with CO₂ 12 given the high conductivity between the wells. On the other hand the readings could be false readings if the actual rates are below the minimum for the meter as would be indicated by some of the pressures reported. If this is the case then we are under injecting into CO₂ 10 and reducing the CO₂ confinement in the pilot area. The field is making changes to the water injection system to allow for more uniform injection.

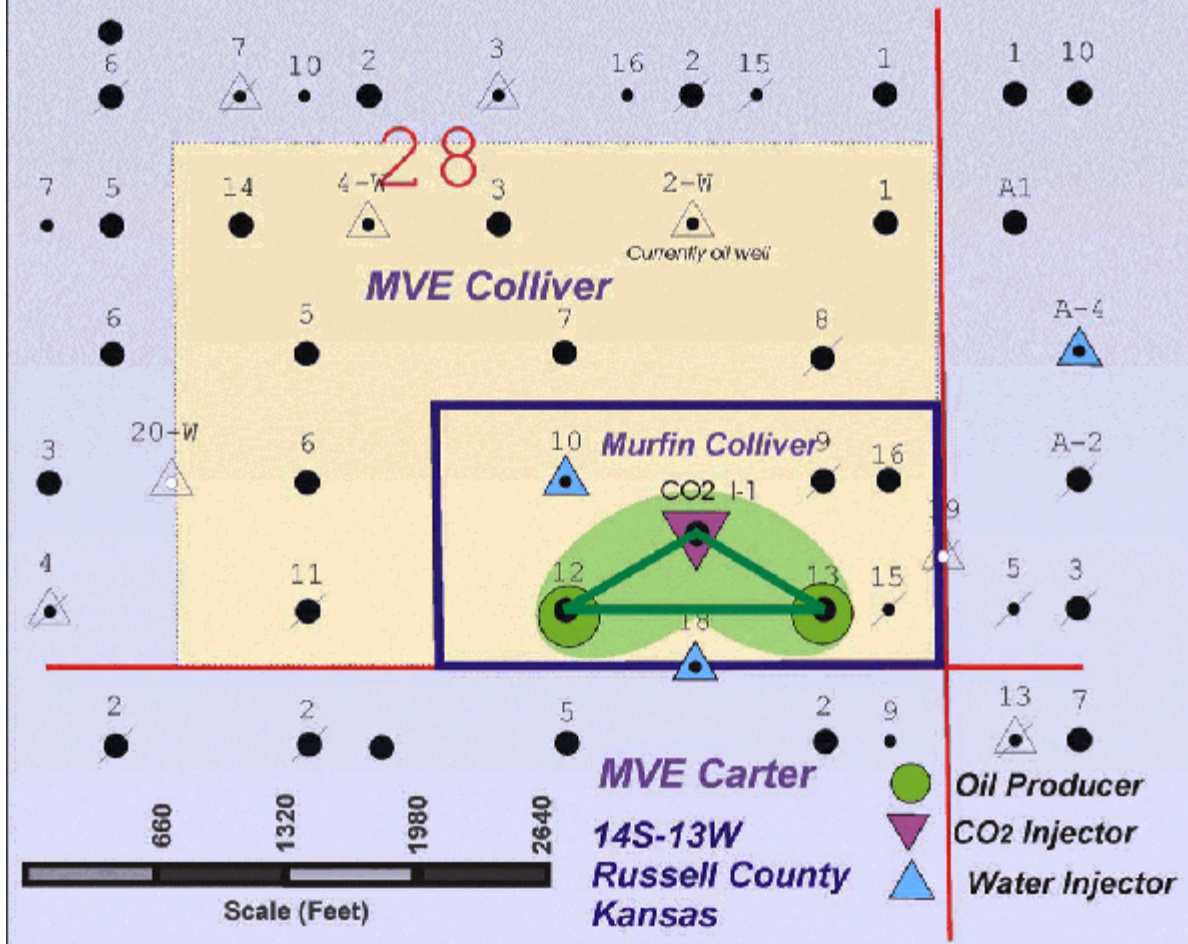
CO2 10 Water Injection



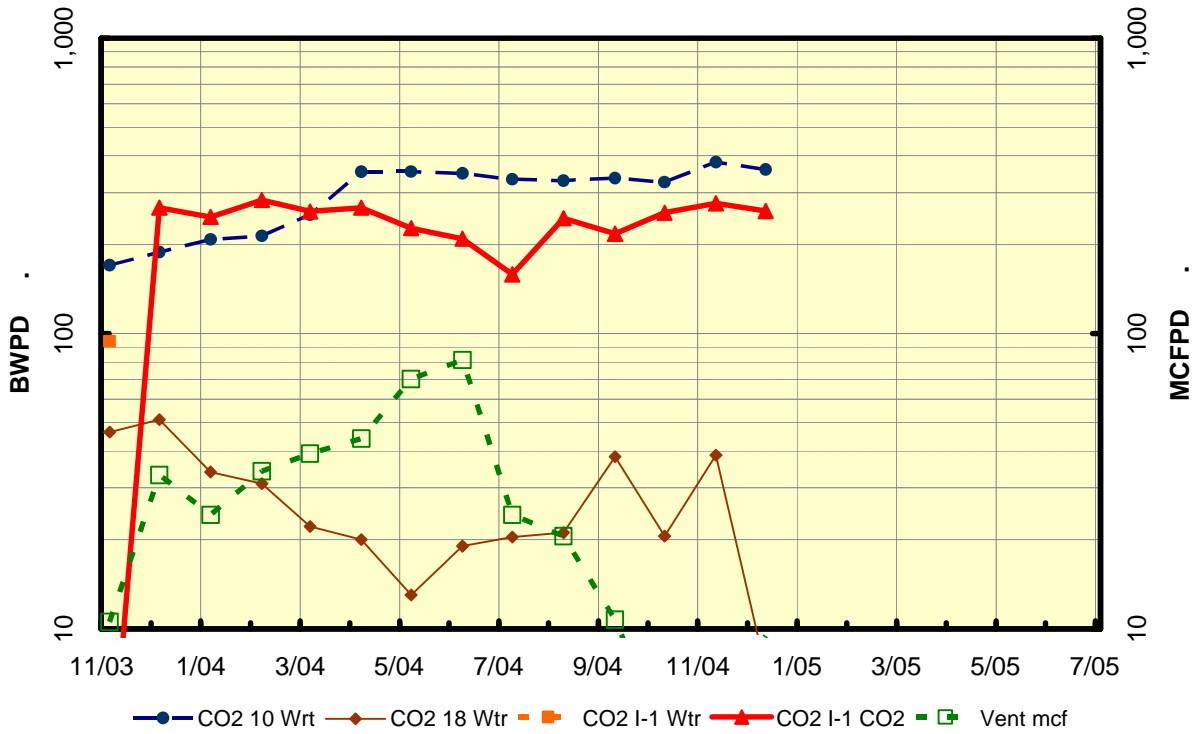
Attached:

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

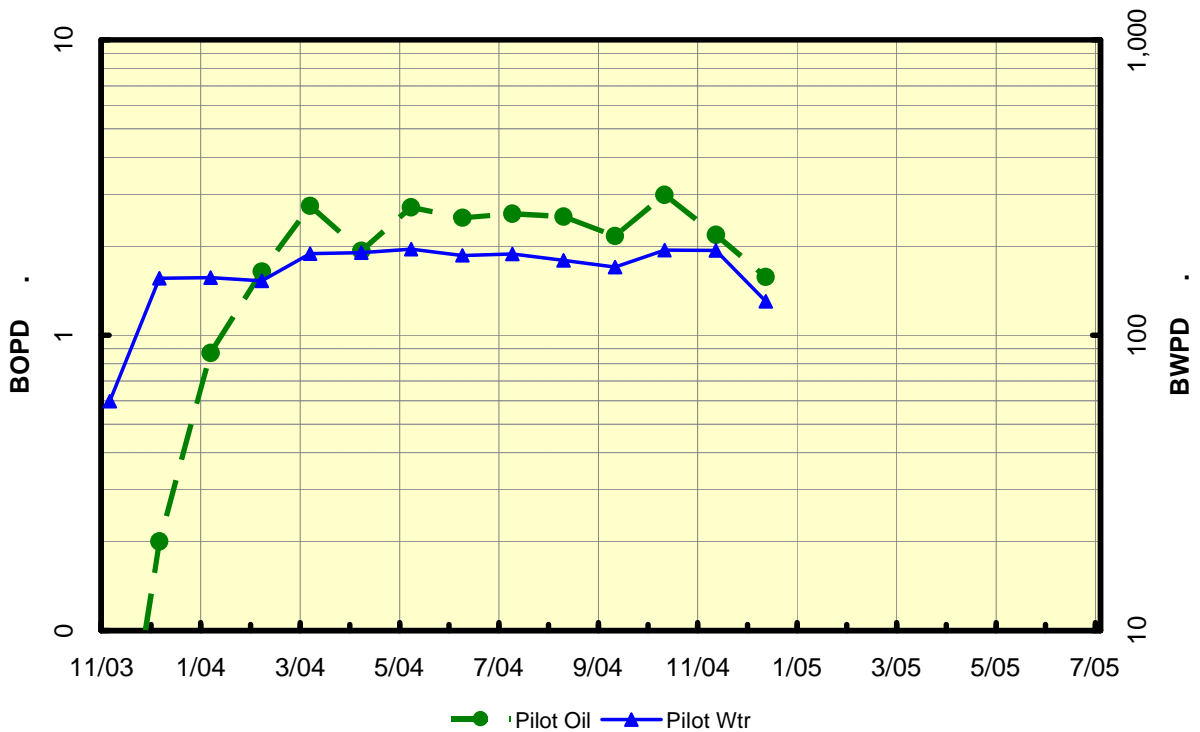
CO2 Pilot 10-Acre Pattern



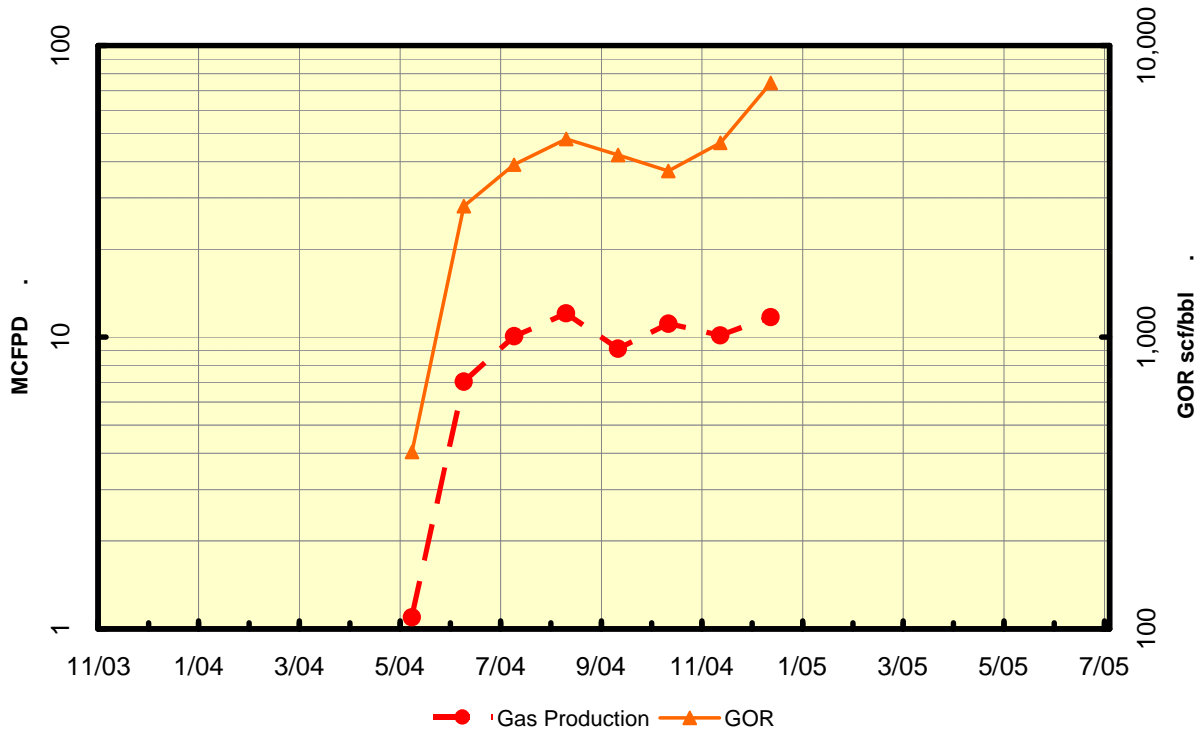
LKC Pilot Injection



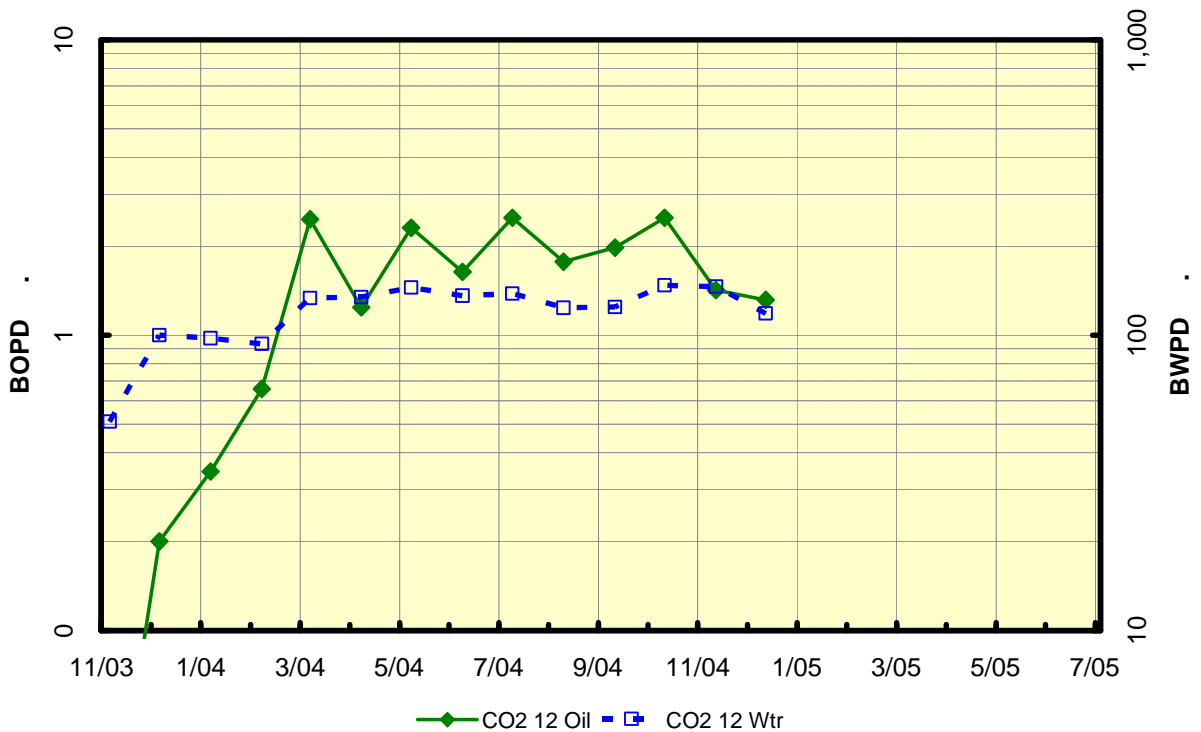
LKC Pilot Production



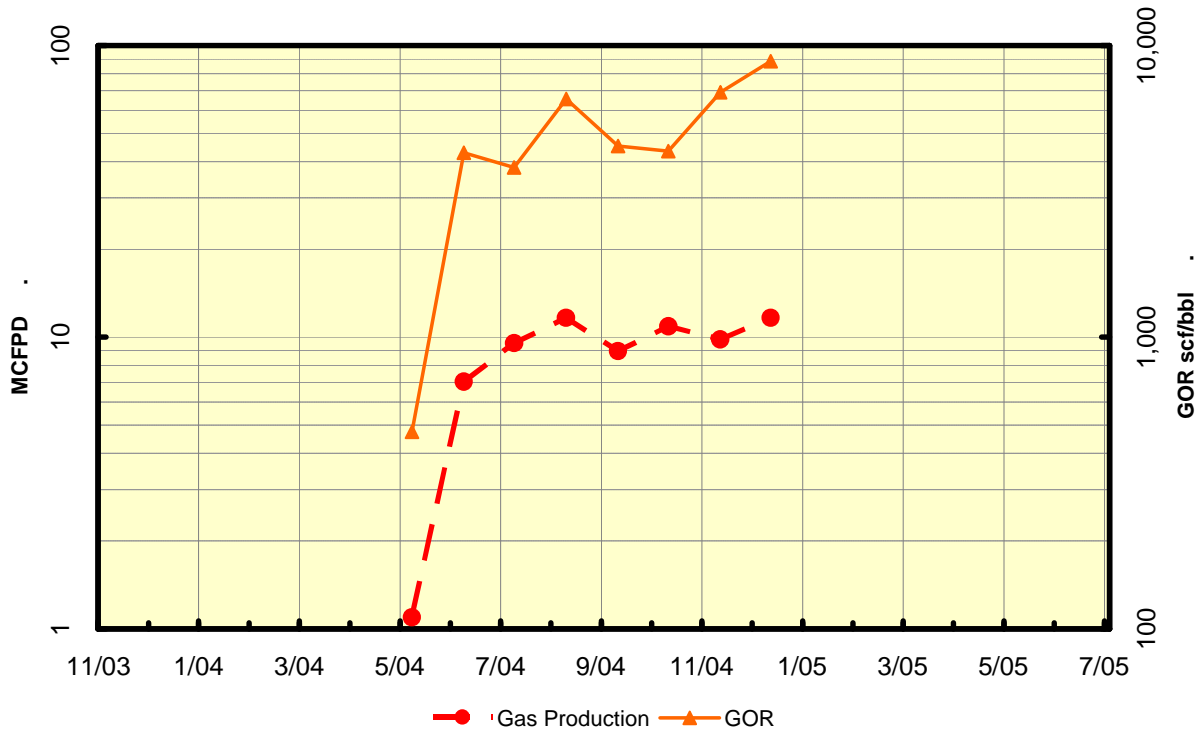
LKC Pilot Production



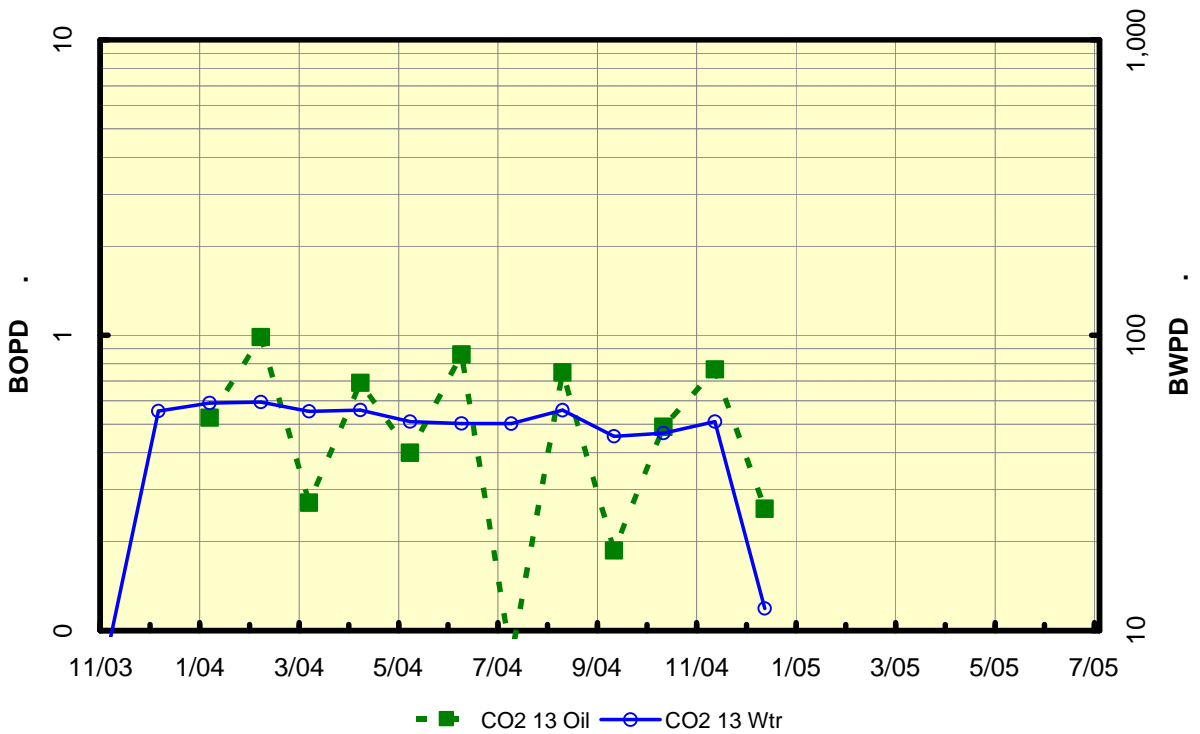
LKC CO2 12 Production



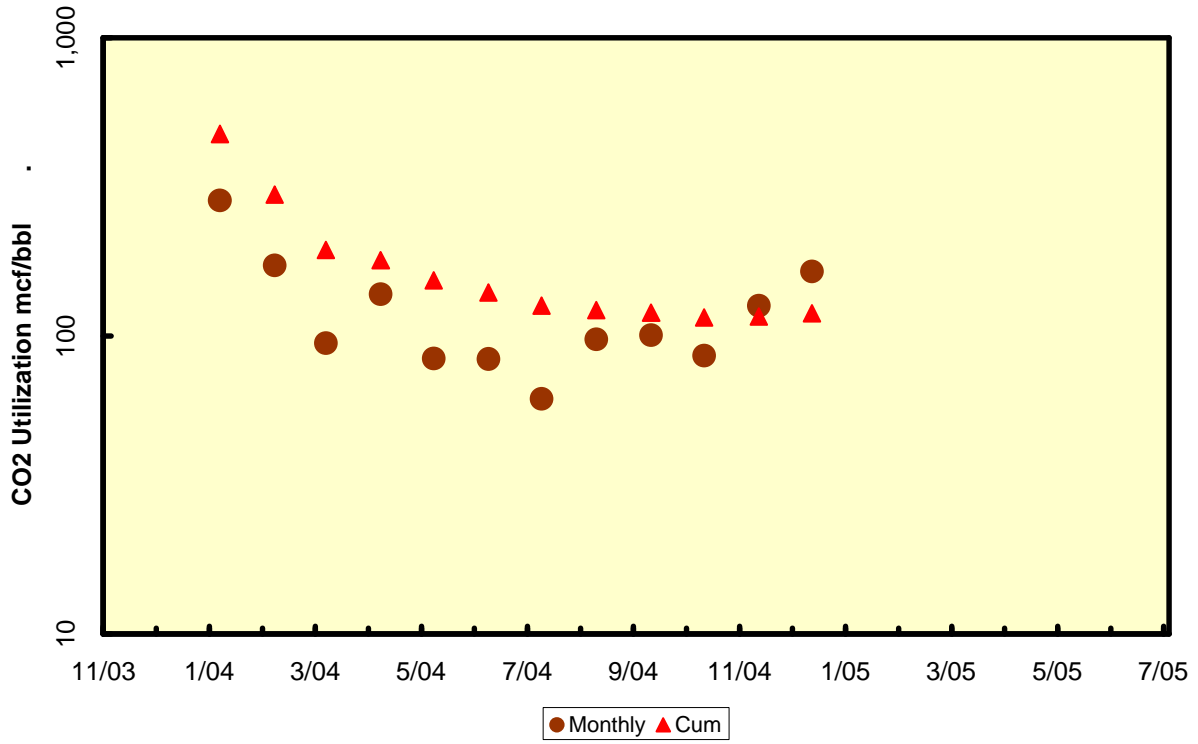
LKC CO2 12 Gas Production



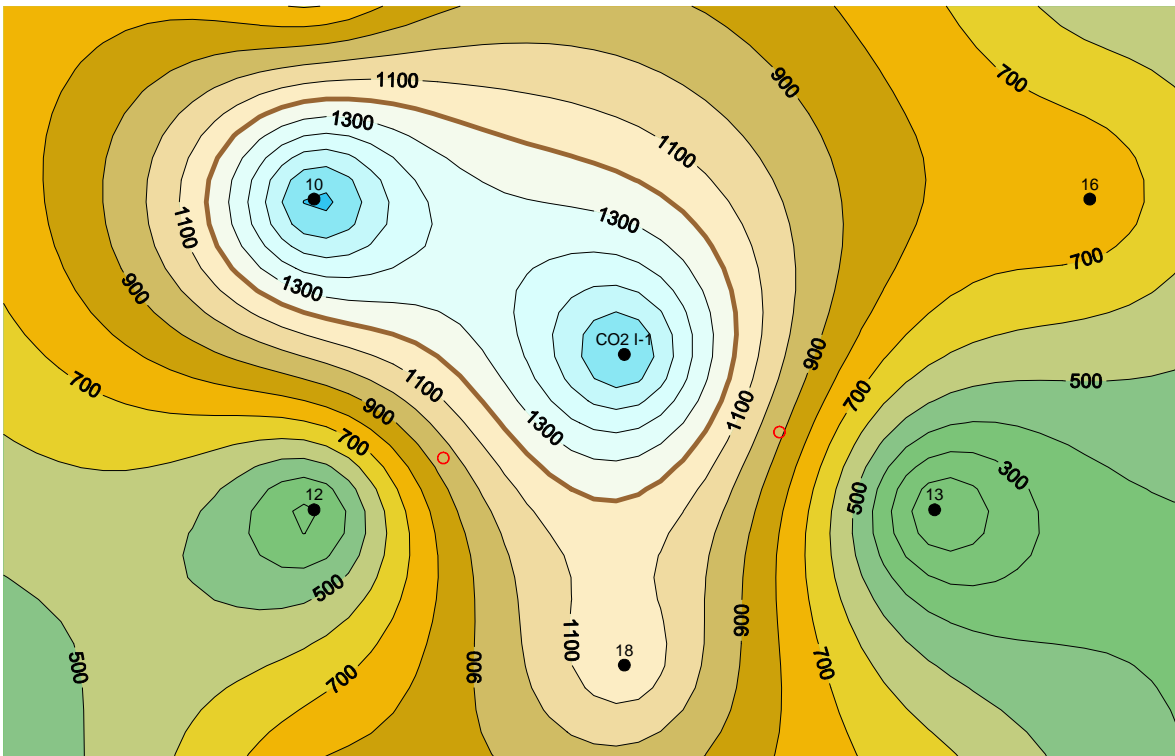
LKC CO2 13 Production



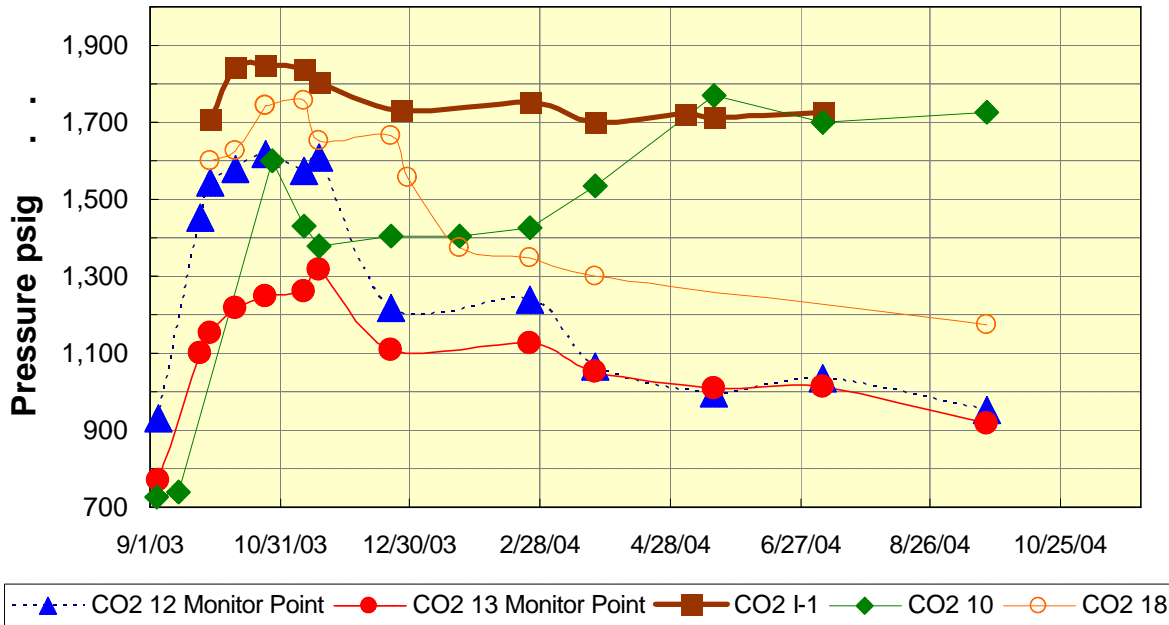
LKC Pilot



LKC Pilot Pressure 9-21-04



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells

