

Preliminary Monthly Report

October 2004

Injection and total liquid production increased slightly for the pilot wells (see attached graphs). Oil production in October averaged 3.0 BOPD compared to 2.2 BOPD for September. Production for the first 28 days of November has averaged 2.2 BOPD. Gas production is up slightly averaging 11.1mcfpd but is down again in November to around 10.3mcfpd for the first 27 days.

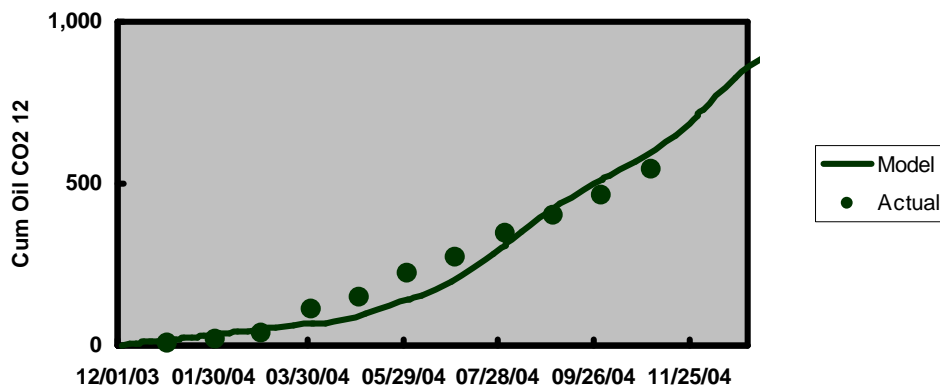
Vent losses are down to under 2% and well under control.

Cumulative injection to production ratio May through October is still less than 1.0. Cumulative under injection since May should be made up with November and December injection. If project is going to respond adequately sustained displacement response should be achieved and maintained over the next 6 months.

Production response problems with CO₂ 12 are most likely related to under injection during June and July (now corrected) and/or artificial lift problems (currently being evaluated) if they are not related to geology and architecture of the formation.

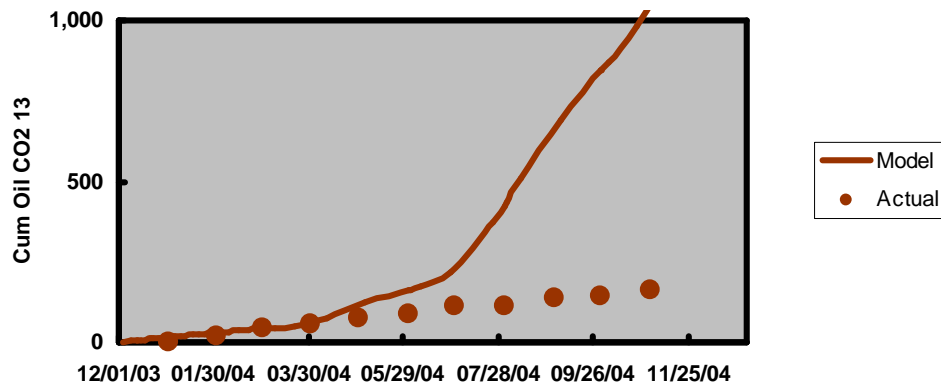
Current 4D seismic information indicates that the flow path between CO₂ I-1 and CO₂ 13 is not direct and could be 30-40% longer. This longer displacement distance and potential communication out of zone could be part of the problems with the response in CO₂ 13.

Oil performance of CO₂ 12 is close to what was expected coming into the project as shown in the plot below. Gas production has lagged behind the original forecast indicating more CO₂ retention or losses than originally expected. The under estimation of gas production can be attributed to a poorly defined gas relative permeability prior to project startup and increased trapping of CO₂ based on the oomoldic architecture. Though the increased CO₂ retention may be good for CO₂ sequestration it will also result in higher purchase CO₂ utilization. This will make it more difficult for an economical commercial project.



CO₂ 13 oil response was on target until around June 2004. This happens to correspond to the period of considerable under injection during June and July 2004. Given the potential longer and more torturous flow path between CO₂ 13 and CO₂ I-1 and the under injection during June and July the deviation from original expectations is not surprising. We hope to have a better understanding of the torturous path from CO₂ I-1 and CO₂ 13 when we get the second 4-D seismic interpretive results. If it is as indicated on the

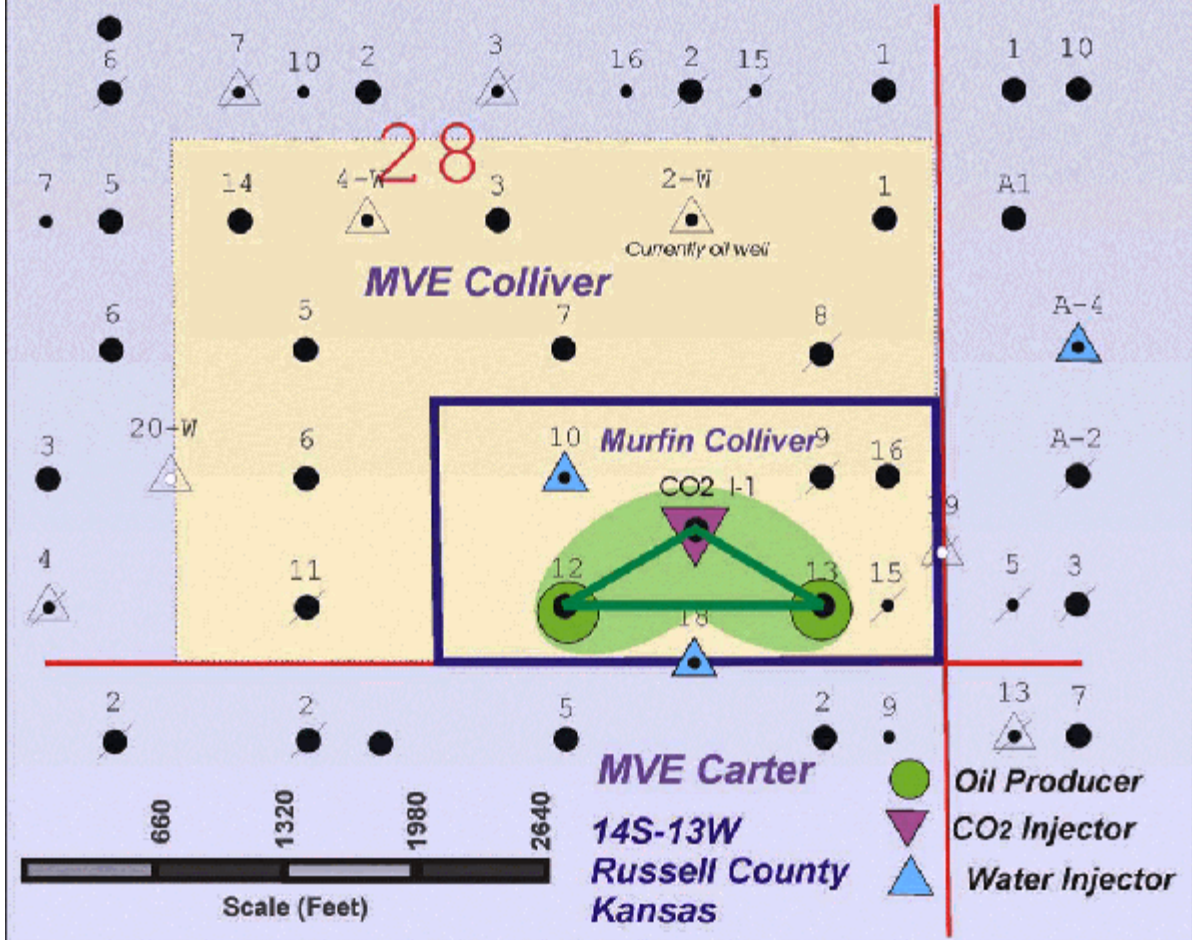
revised first complete analysis then the viability of the pilot will depend on CO₂ 13. It will need to be stimulated (potentially with CO₂) to improve the communication with the displacement front to the north.



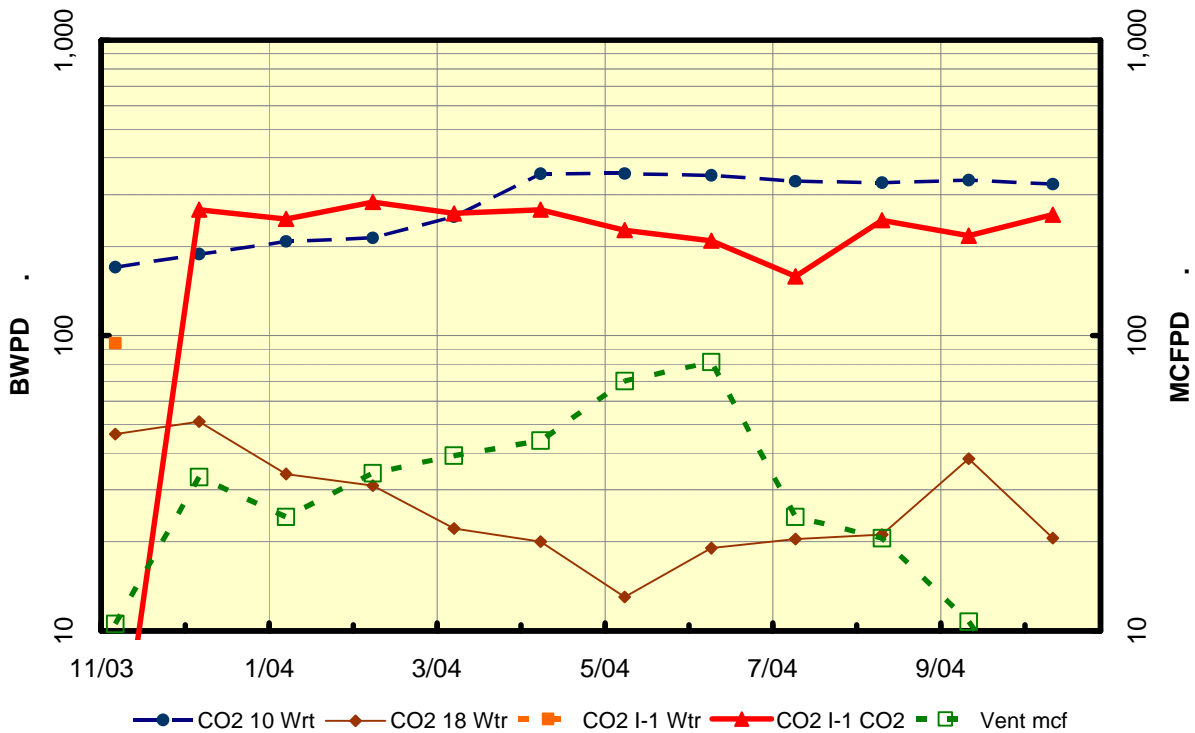
Attached:

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

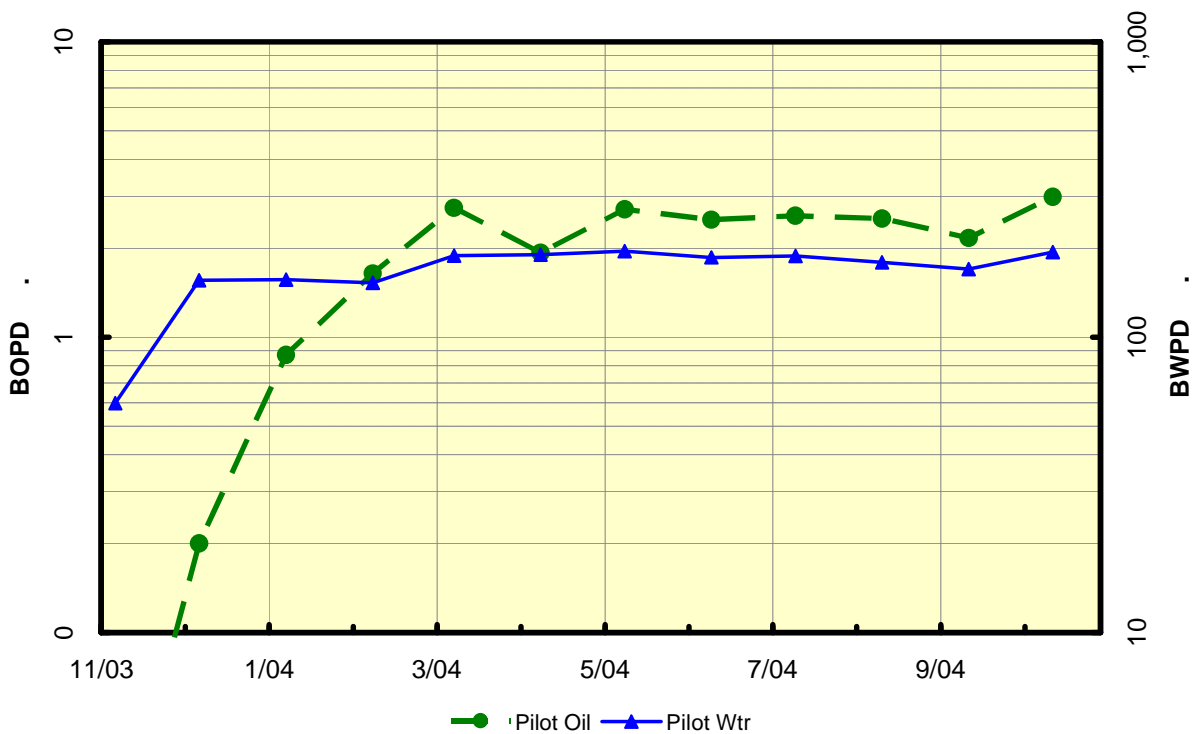
CO2 Pilot 10-Acre Pattern



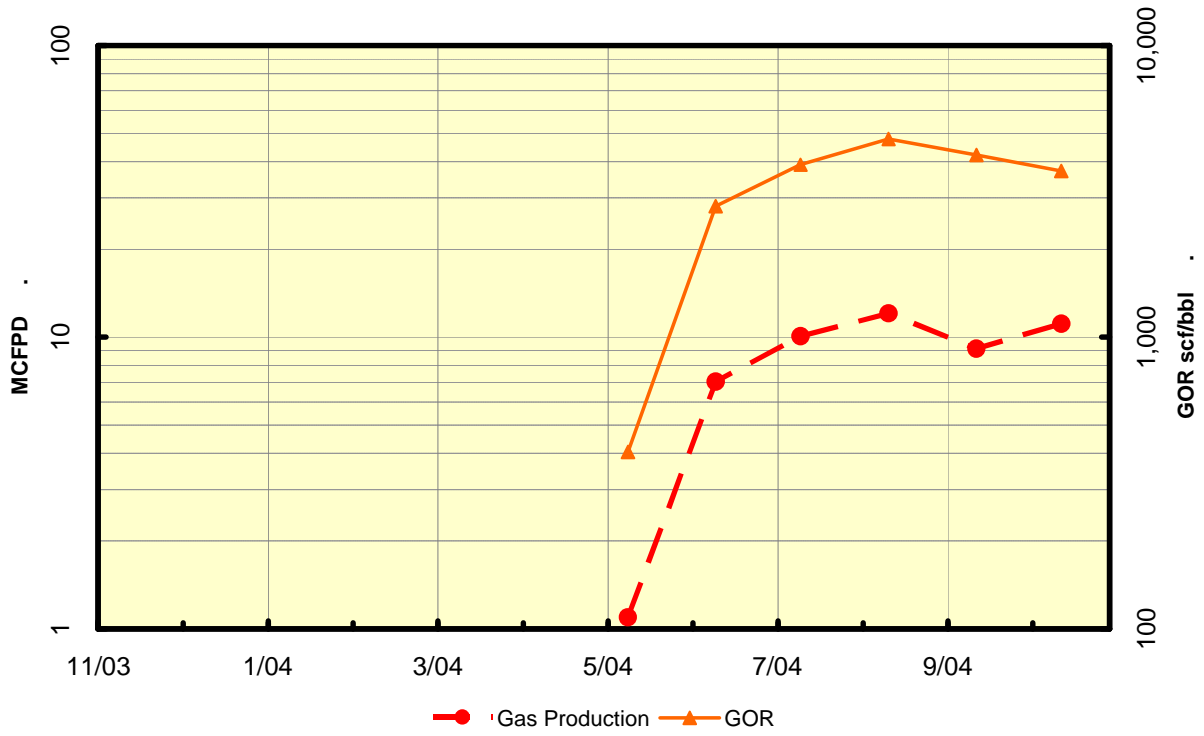
LKC Pilot Injection



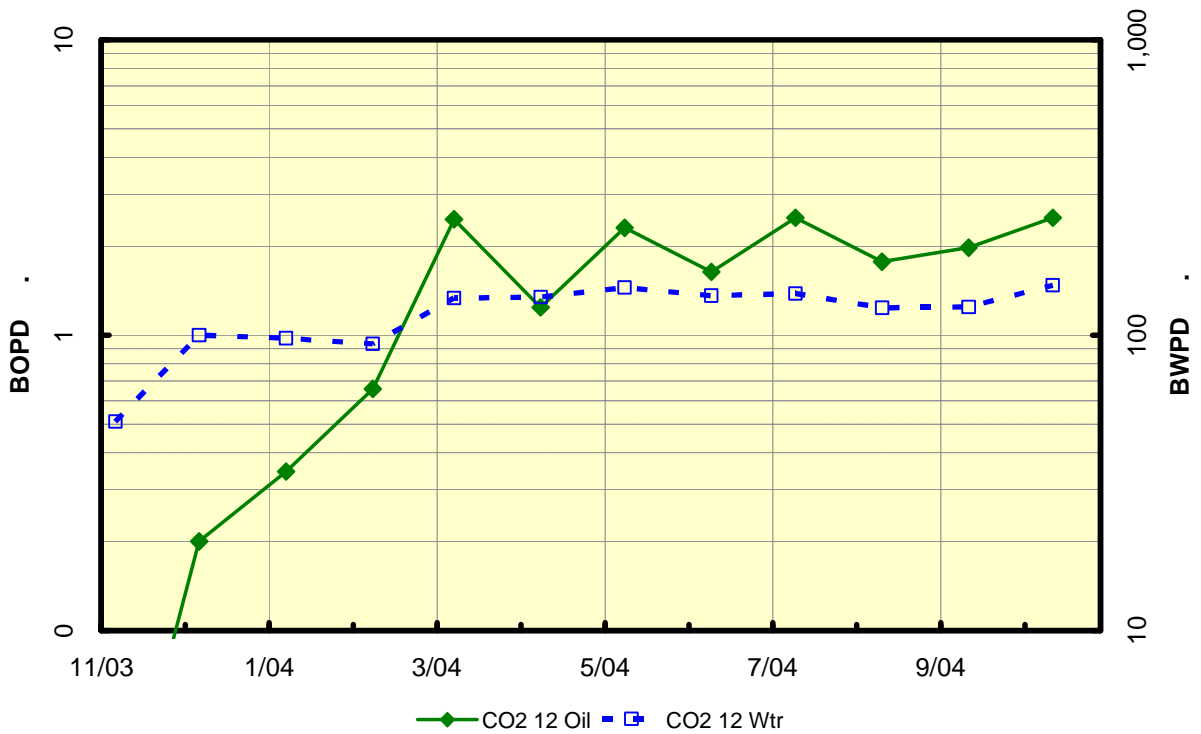
LKC Pilot Production



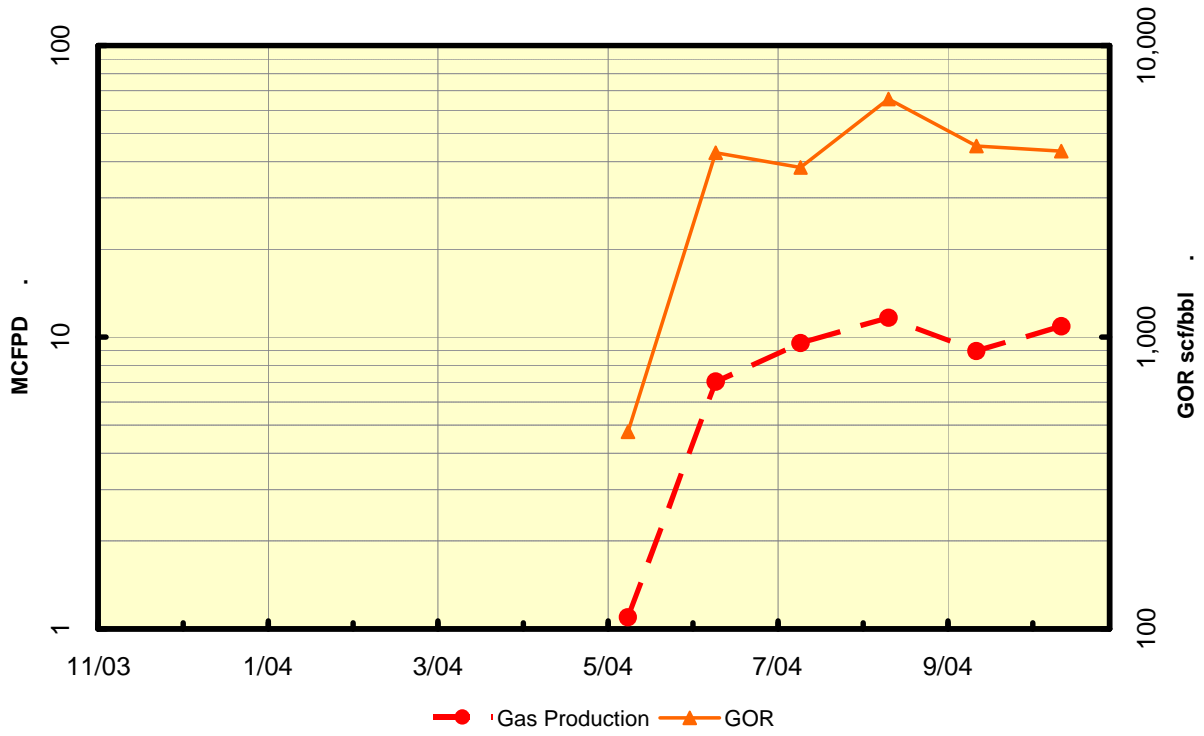
LKC Pilot Production



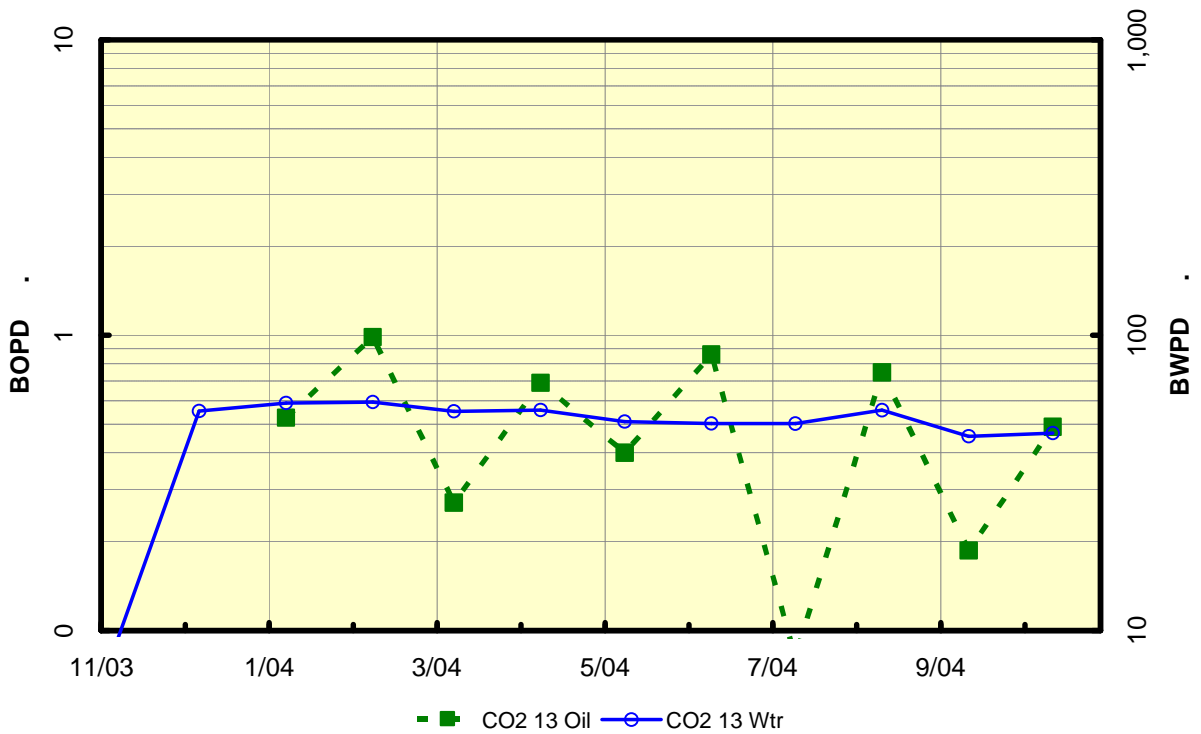
LKC CO2 12 Production



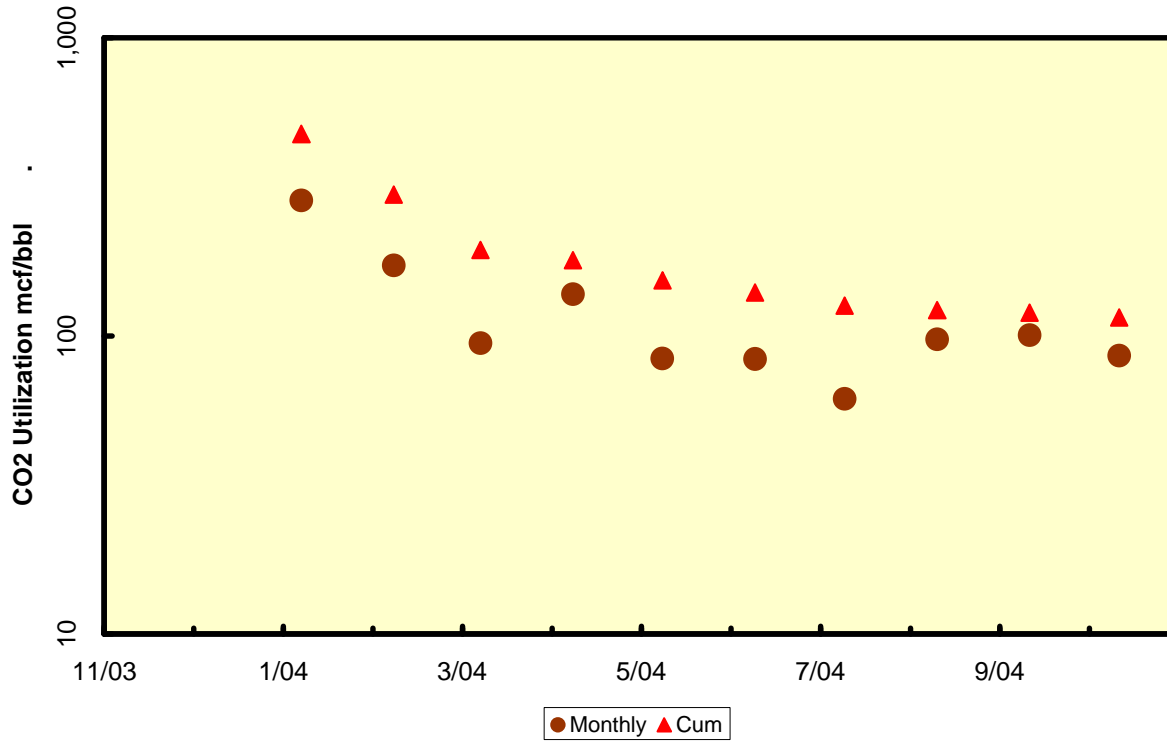
LKC CO2 12 Gas Production



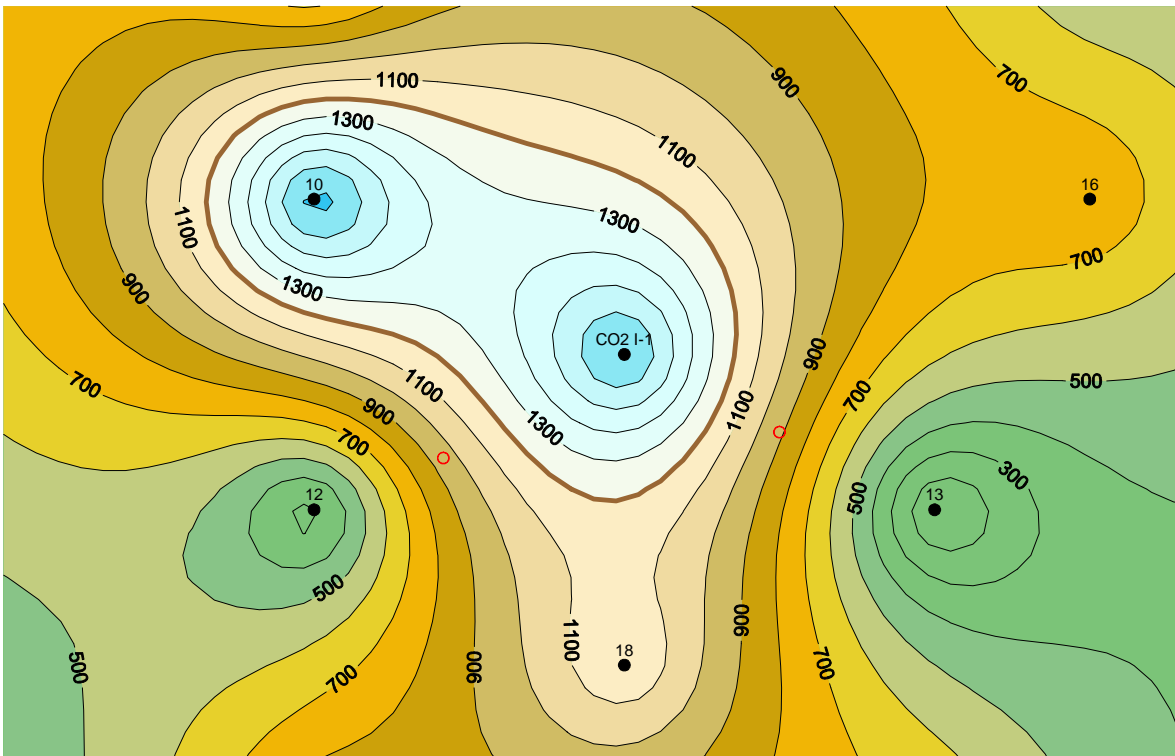
LKC CO2 13 Production



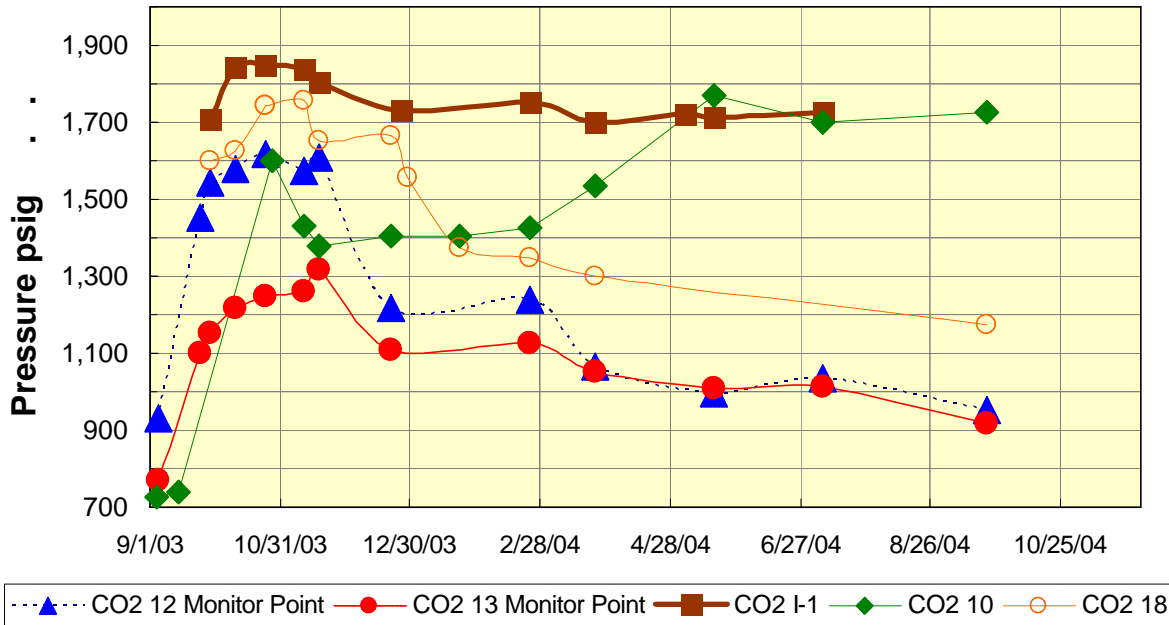
LKC Pilot



LKC Pilot Pressure 9-21-04



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells

