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.

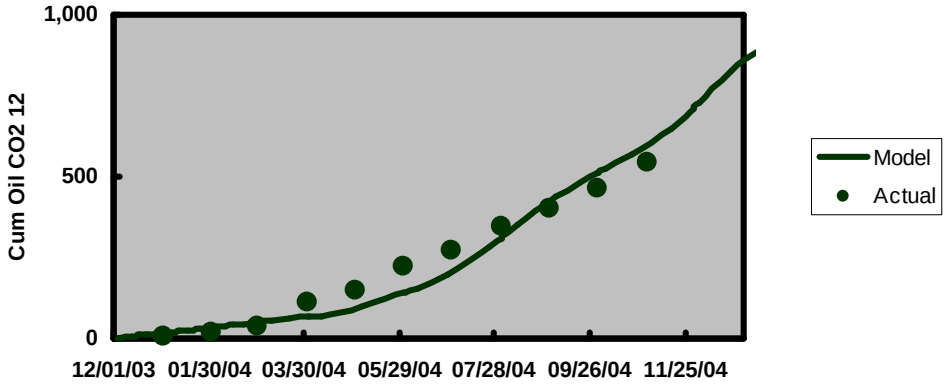
Vent losses are down to under 2% and well under control.

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 CO_2 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.

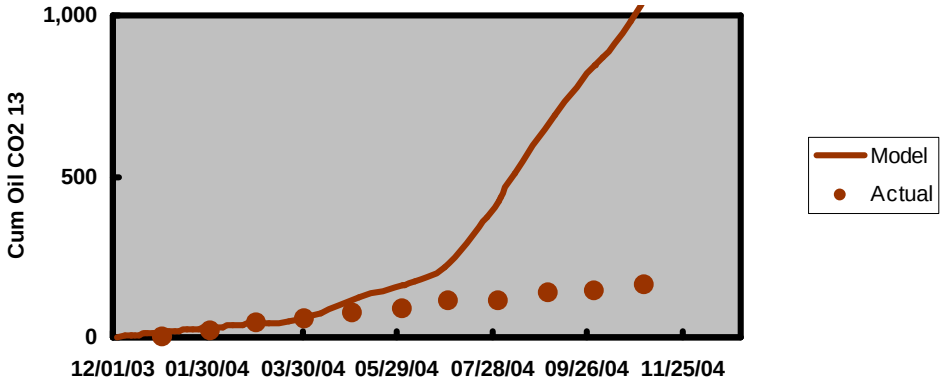
Current 4D seismic information indicates that the flow path between CO_2 I-1 and CO_2 13 is not direct and could be 30-40% longer. This longer displacement distance and potential communication out of zone could be part of the problems with the response in CO_2 13.

Oil performance of CO_2 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 CO_2 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 CO_2 based on the oomoldic architecture. Though the increased CO_2 retention may be good for CO_2 sequestration it will also result in higher purchase CO_2 utilization. This will make it more difficult for an economical commercial project.



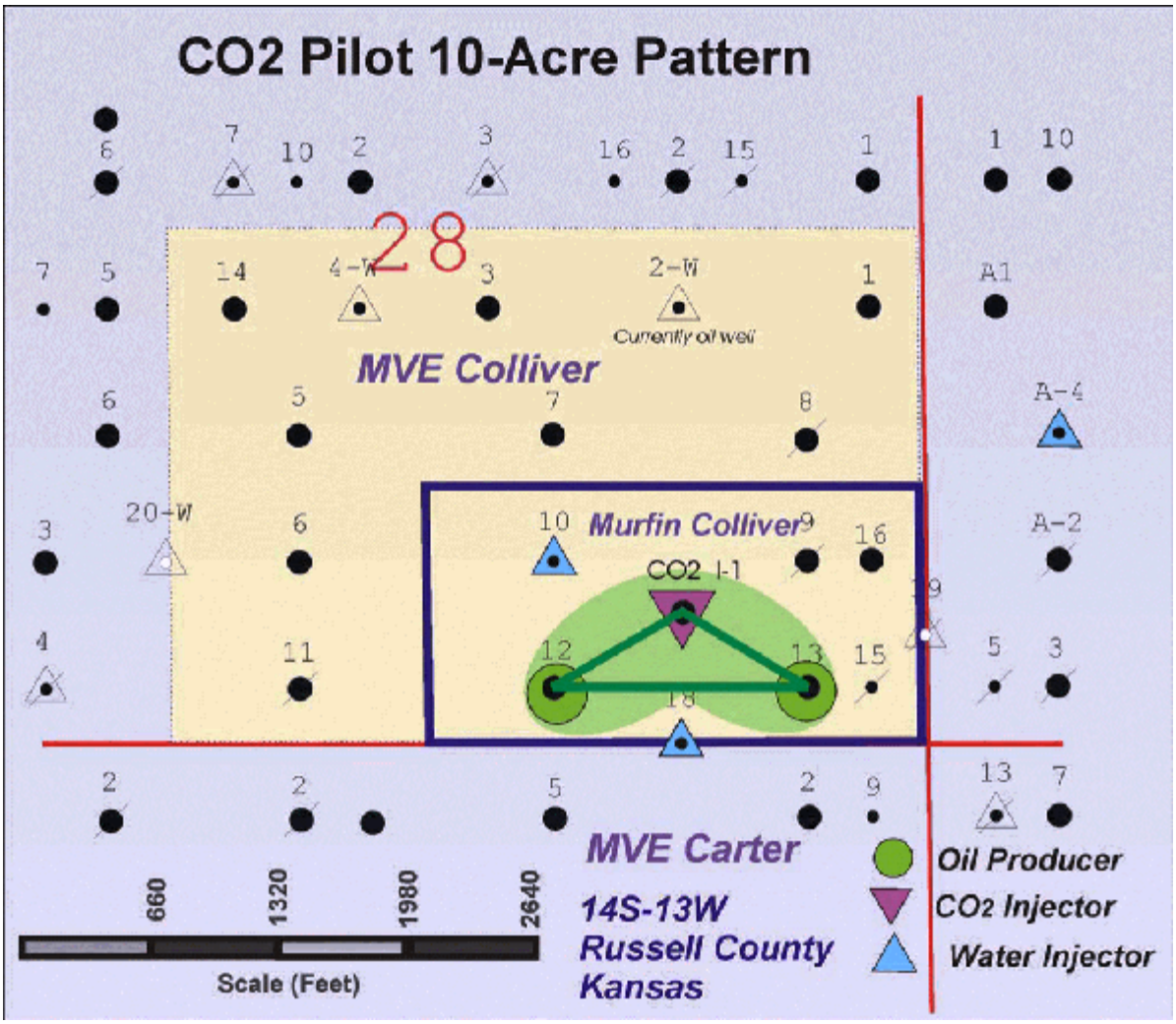
CO_2 13 oil response was on target until around June 2004. This happens to correspond to the period of considerable under injection during June and July 2004. Given the potential longer and more torturous flow path between CO_2 13 and CO_2 I-1 and the under injection during June and July the deviation from original expectations is not surprising. We hope to have a better understanding of the torturous path from CO_2 I-1 and CO_2 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 CO_2 13. It will need to be stimulated (potentially with CO_2) to improve the communication with the displacement front to the north.



Attached:

- Pilot Map
- Monthly report
- Injection graphs
- Production graphs
- CO_2 Utilization
- LKC Pressure Map
- LKC Pilot monitoring pressure graph
- LKC Pilot monitoring wells pressures graph


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

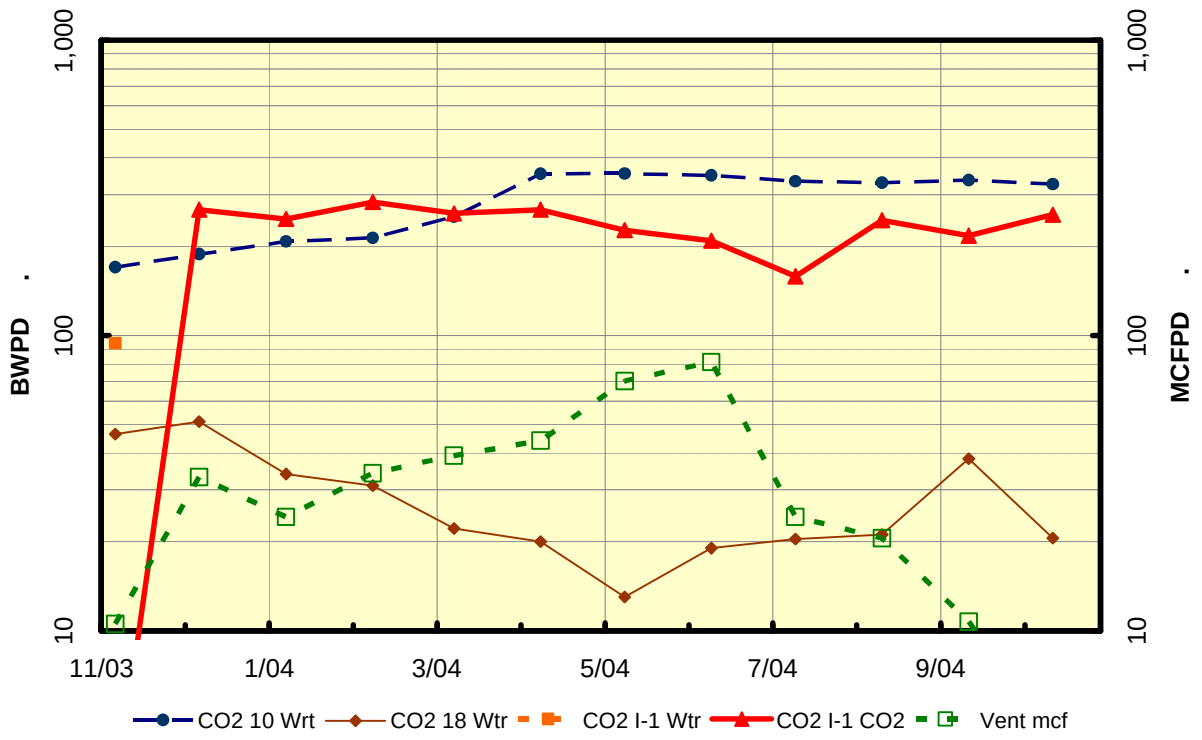
LKC Pilot Preliminary Monthly Report

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			1.23	1.10	1.27	1.05	1.08	0.93	0.87	0.66	1.00	1.00	1.06		
PPV Inj CO2 I-1	%		2.5%	4.8%	7.2%	9.7%	12.0%	14.1%	16.0%	17.5%	19.8%	21.7%	24.1%		
Production															
Oil	bbl	0.5	6.2	27.0	47.7	85.0	58.0	84.0	75.0	80.0	78.1	65.0	92.7	699.3	bbl
Wtr	bbl	1,793.8	4,829.0	4,858.0	4,431.9	5,853.0	5,713.3	6,078.0	5,589.0	5,849.0	5,567.0	5,104.0	6,022.0	61.69	Mbbl
Gas	mcf	0.0	0.0	0.0	0.0	0.0	0.0	33.9	211.0	312.0	374.0	274.0	344.5	1,549.4	mcf
Injection															
Wtr	bbl	9,333	7,433	7,514	7,106	8,515	11,200	11,365	11,042	10,958	10,882	11,228	10,745	117.32	Mbbl
CO2	mcf	81.7	8,267.5	7,699.0	8,222.4	8,042.2	8,011.0	7,051.0	6,280.1	4,918.0	7,613.0	6,542.4	7,958.0	80.69	mmcf
	Mlb	9.479	958.773	898.156	959.216	938.195	934.554	822.562	732.632	573.728	888.124	763.224	928.371	9.41	MMlb
CO2 Delivered															
	mcf	745.7	9,405.5	8,309.6	9,294.0	9,304.4	9,656.4	9,007.2	9,010.2	5,724.5	8,128.0	7,006.9	7,891.9	93.48	mmcf
	Mlb	86.48	1,090.74	963.7	1,077.8	1,079.0	1,119.8	1,044.6	1,044.9	663.9	942.6	812.6	915.2	10.84	MMlb
	Tons	43.2	545.4	481.8	538.9	539.5	559.9	522.3	522.5	331.9	471.3	406.3	457.6	5,421	Tons
Tank Vent															
	mcf	316.6	1,028.0	753.0	990.9	1,214.4	1,320.2	2,175.9	2,437.1	753.2	637.5	321.8	134.2	12.08	mmcf
	Mlb	36.72	119.22	87.33	114.92	140.83	153.10	252.34	282.63	87.35	73.93	37.31	15.56	1.40	MMlb
% of Injection		387.4%	12.4%	9.8%	12.1%	15.1%	16.5%	30.9%	38.8%	15.3%	8.4%	4.9%	1.7%	15.0%	
Wells															
Production															
CO2 12 Oil	bbl	0.5	6.2	10.7	19.1	76.6	37.3	71.6	49.2	77.5	55.0	59.4	77.6	540.6	bbl
Wtr	bbl	1,528	3,105	3,029	2,710.3	4,141.0	4,039.4	4,497.0	4,080.0	4,293.0	3,840.0	3,738.0	4,578.2	43.58	Mbbl
Gas	mcf	0	0	0	0.0	0.0	0.0	33.9	211.0	296.0	361.0	268.9	337.4	1,508.2	mcf
CO2 13 Oil	bbl	0.0	0.0	16.3	28.6	8.4	20.7	12.4	25.8	2.5	23.2	5.6	15.2	158.6	bbl
Wtr	bbl	266	1,716	1,829	1,722	1,711	1,674	1,581	1,509	1,556	1,727	1,366	1,444	18.10	Mbbl
Gas	mcf	0	0	0	0	0	0	0	0	16	13	5	7	41.2	mcf
Injection															
CO2 10 Wtr	bbl	5,113	5,848	6,460	6,207.0	7,827.0	10,599.0	10,962.0	10,471.0	10,325.0	10,226.0	10,081.0	10,106.0	104.23	Mbbl
CO2 18 Wtr	bbl	1,391	1,585	1,054	899	688	601	403	571	633	656	1,147	639	10.27	Mbbl
CO2 I-1 Wtr	bbl	2,829	0	0	0	0	0	0	0	0	0	0	0	2.83	Mbbl
Vent During Loading		5.2%		5.8%											

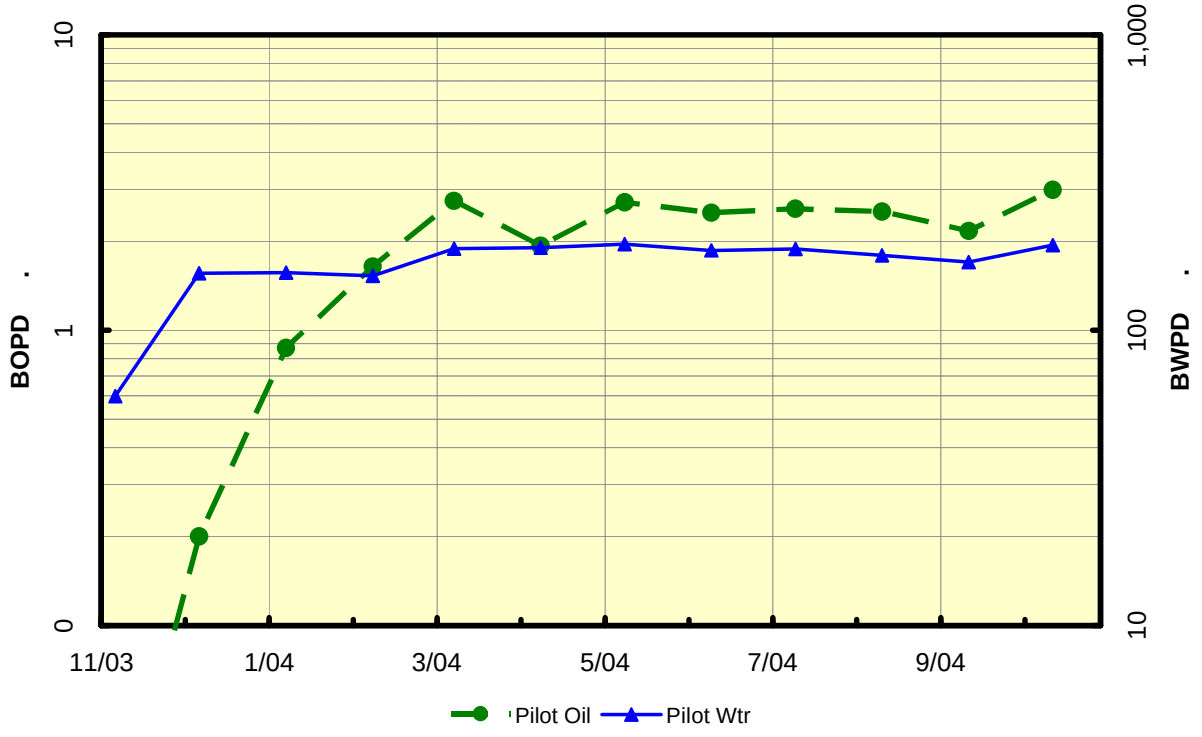
LKC Pilot Preliminary Monthly Report
Daily Values

			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	1.9	2.7	2.5	2.6	2.5	2.2	3.0
	Wtr	bbl	59.8	155.8	156.7	152.8	188.8	190.4	196.1	186.3	188.7	179.6	170.1	194.3
	Gas	mcf	0.0	0.0	0.0	0.0	0.0	0.0	1.1	7.0	10.1	12.1	9.1	11.1
Injection														
	Wtr	bbl	311.1	239.8	242.4	245.0	274.7	373.3	366.6	368.1	353.5	351.0	374.3	346.6
	CO2	mcf	2.7	266.7	248.4	283.5	259.4	267.0	227.5	209.3	158.6	245.6	218.1	256.7
		Mlb	0.3	30.9	29.0	33.1	30.3	31.2	26.5	24.4	18.5	28.6	25.4	29.9
CO2 Delivered														
		mcf	24.9	303.4	268.1	320.5	300.1	321.9	290.6	300.3	184.7	262.2	233.6	254.6
		Mlb	2.9	35.2	31.1	37.2	34.8	37.3	33.7	34.8	21.4	30.4	27.1	29.5
Tank Vent														
		mcf	10.6	33.2	24.3	34.2	39.2	44.0	70.2	81.2	24.3	20.6	10.7	4.3
		Mlb	1.2	3.8	2.8	4.0	4.5	5.1	8.1	9.4	2.8	2.4	1.2	0.5
	% of Injection		387.4%	12.4%	9.8%	12.1%	15.1%	16.5%	30.9%	38.8%	15.3%	8.4%	4.9%	1.7%
Wells														
Production														
CO2 12	Oil	bbl	0.0	0.2	0.3	0.7	2.5	1.2	2.3	1.6	2.5	1.8	2.0	2.5
	Wtr	bbl	50.9	100.1	97.7	93.5	133.6	134.6	145.1	136.0	138.5	123.9	124.6	147.7
	Gas	mcf	0.0	0.0	0.0	0.0	0.0	0.0	1.1	7.0	9.5	11.6	9.0	10.9
CO2 13	Oil	bbl	0.0	0.0	0.5	1.0	0.3	0.7	0.4	0.9	0.1	0.7	0.2	0.5
	Wtr	bbl	8.9	55.3	59.0	59.4	55.2	55.8	51.0	50.3	50.2	55.7	45.5	46.6
	Gas	mcf	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.2	0.2
Injection														
CO2 10	Wtr	bbl	170.4	188.6	208.4	214.0	252.5	353.3	353.6	349.0	333.1	329.9	336.0	326.0
CO2 18	Wtr	bbl	46.4	51.1	34.0	31.0	22.2	20.0	13.0	19.0	20.4	21.2	38.2	20.6
CO2 I-1	Wtr	bbl	94.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

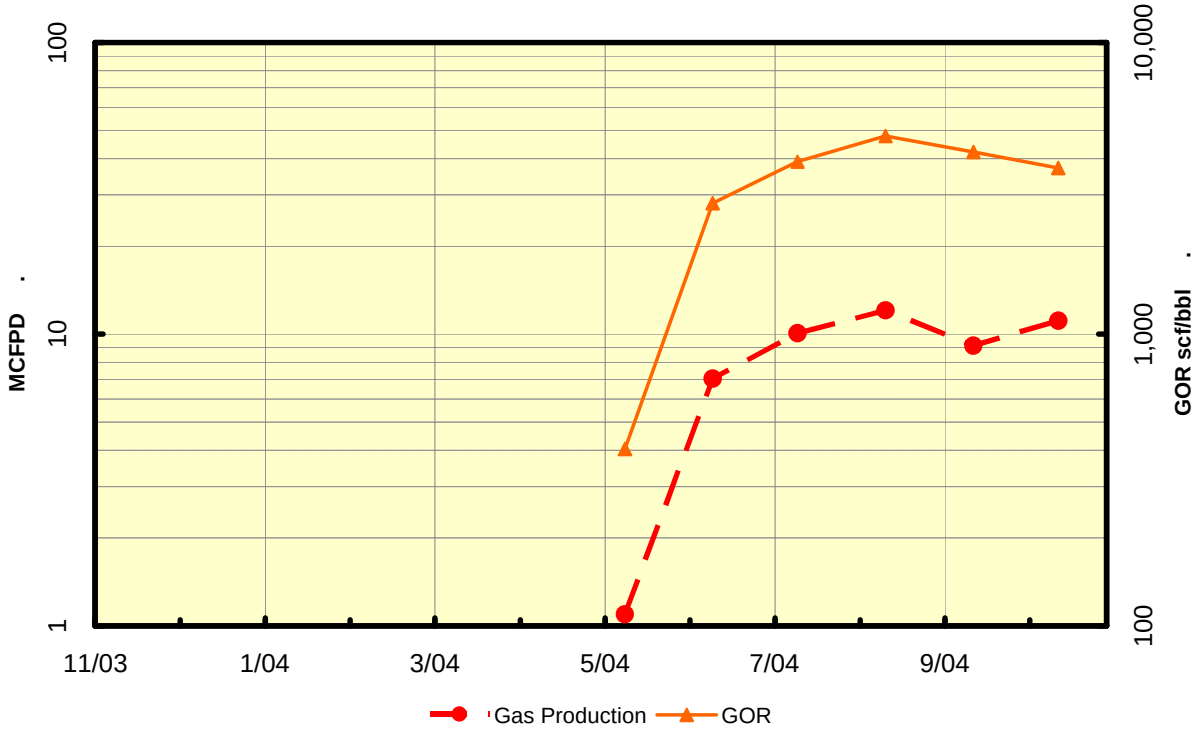
LKC Pilot Injection



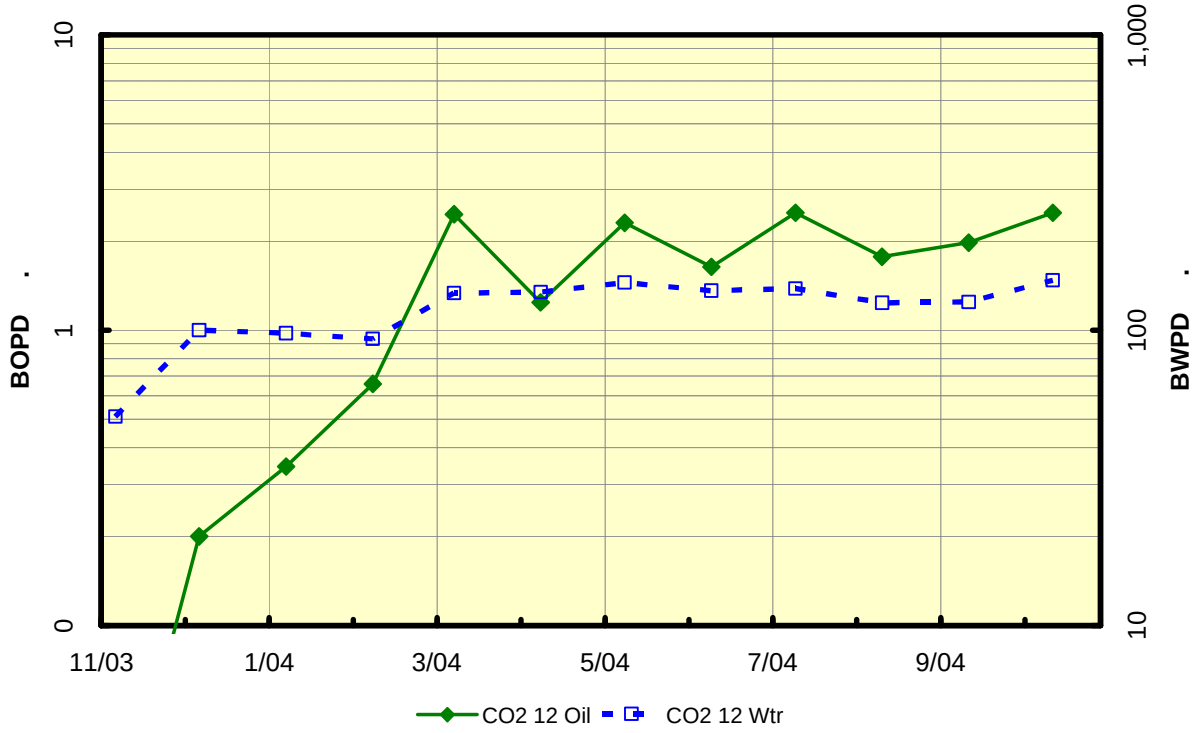
LKC Pilot Production



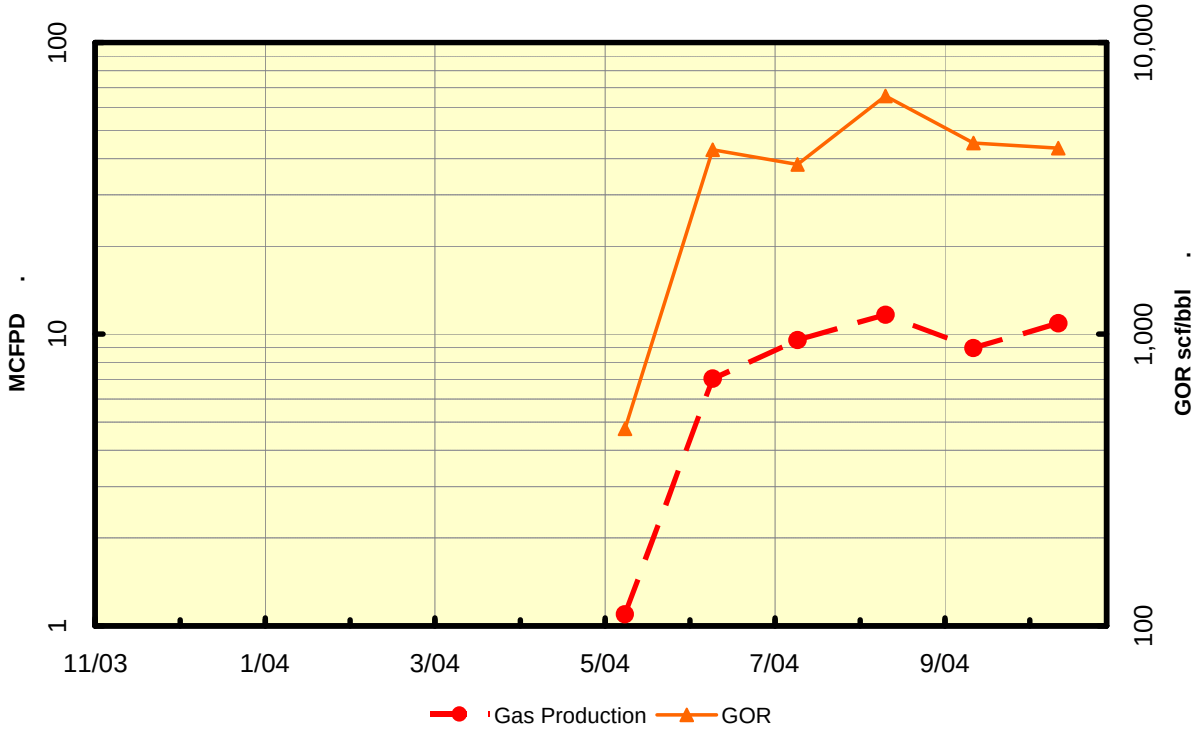
LKC Pilot Production



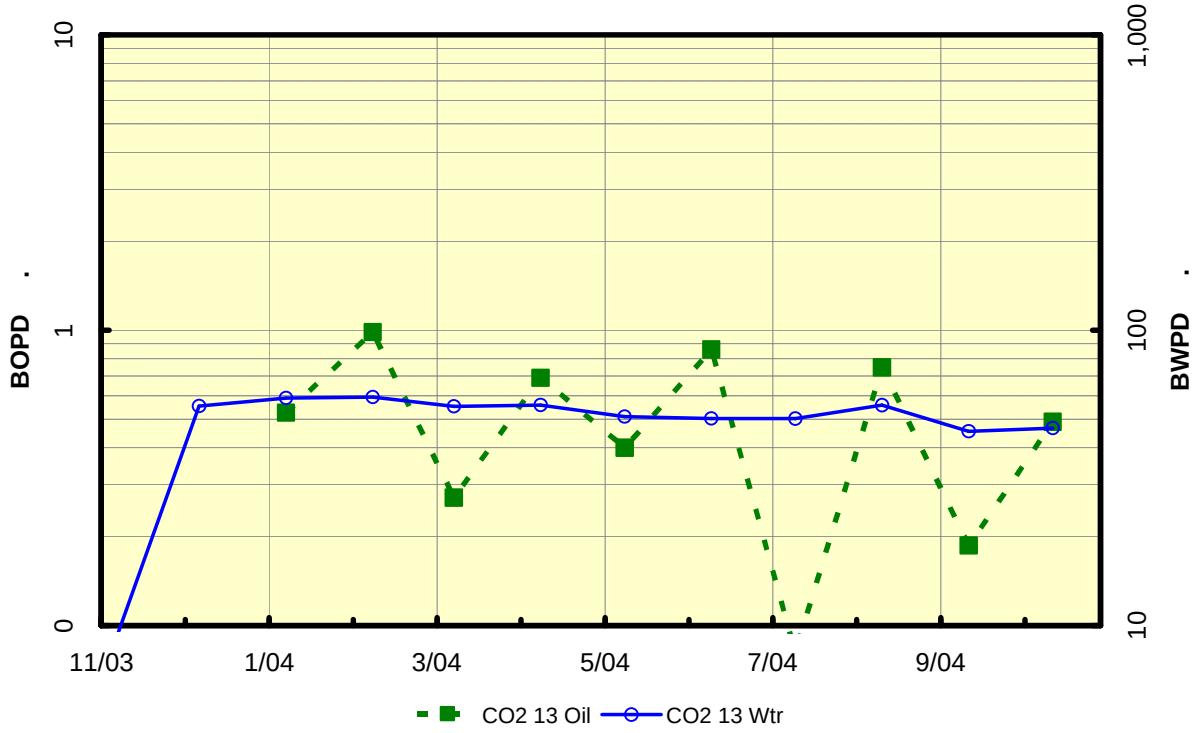
LKC CO2 12 Production

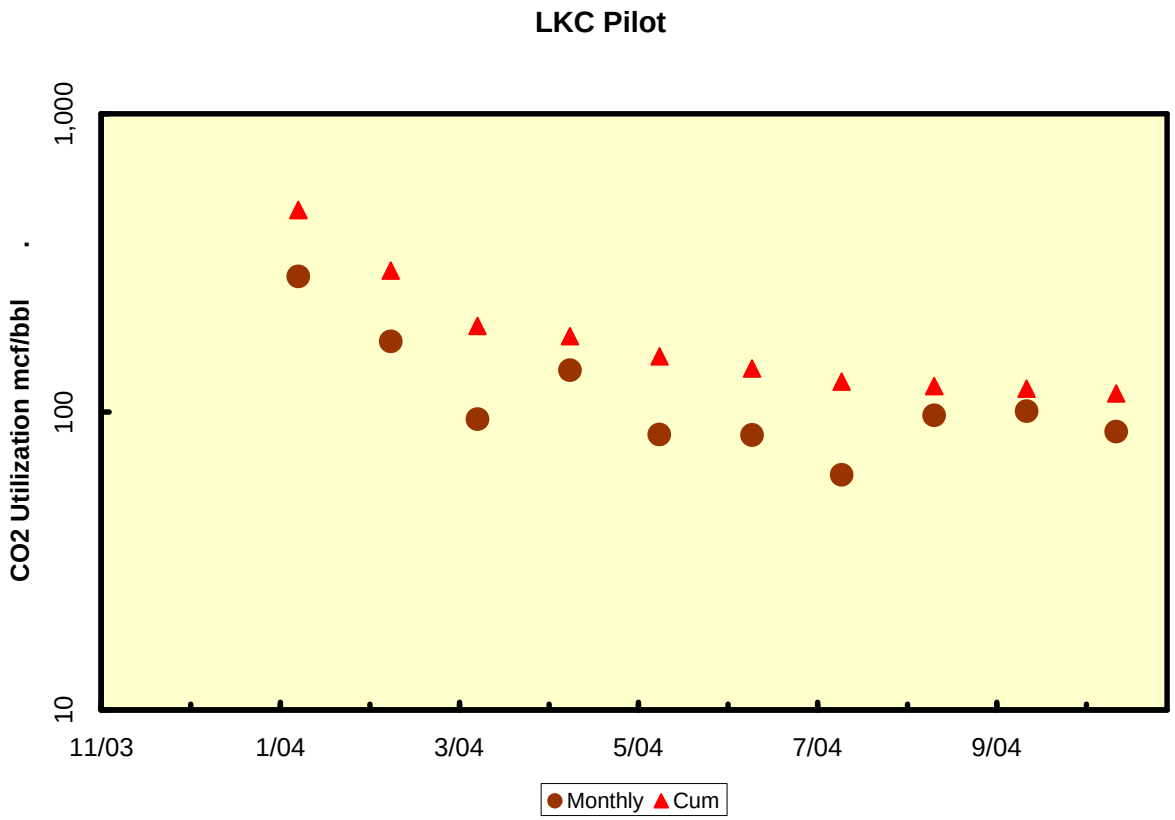


LKC CO2 12 Gas Production

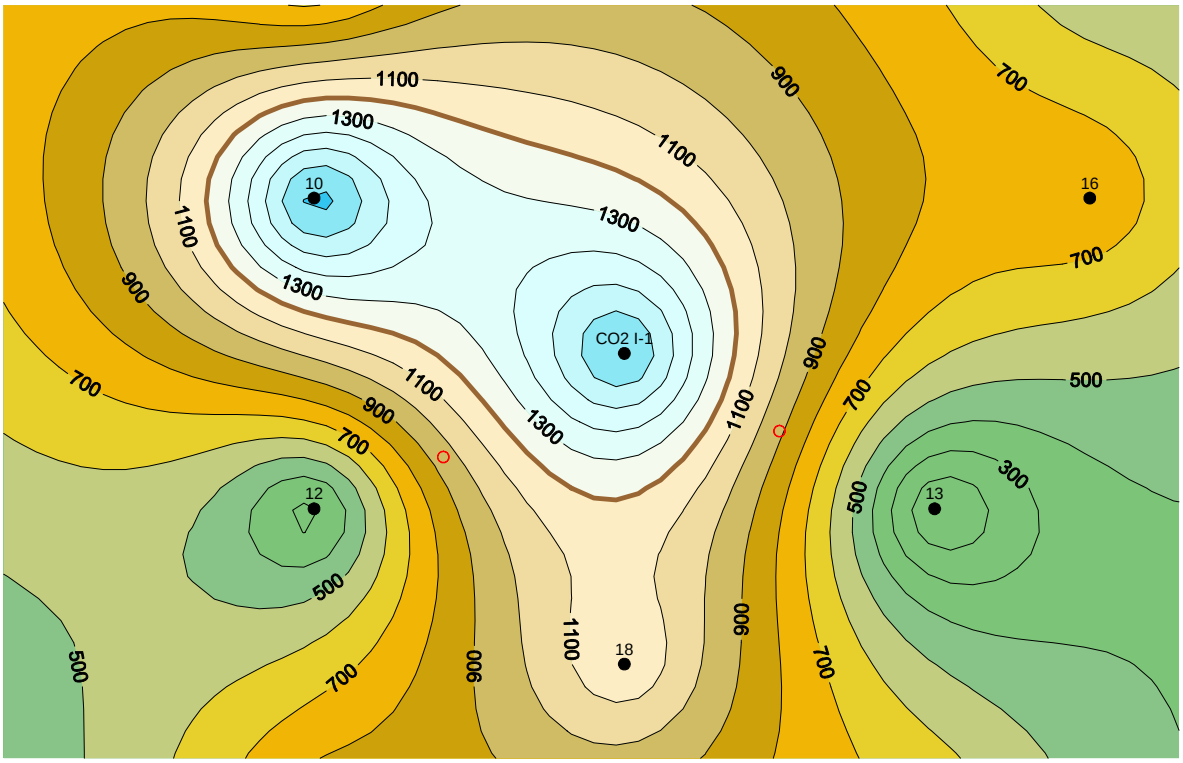


LKC CO2 13 Production

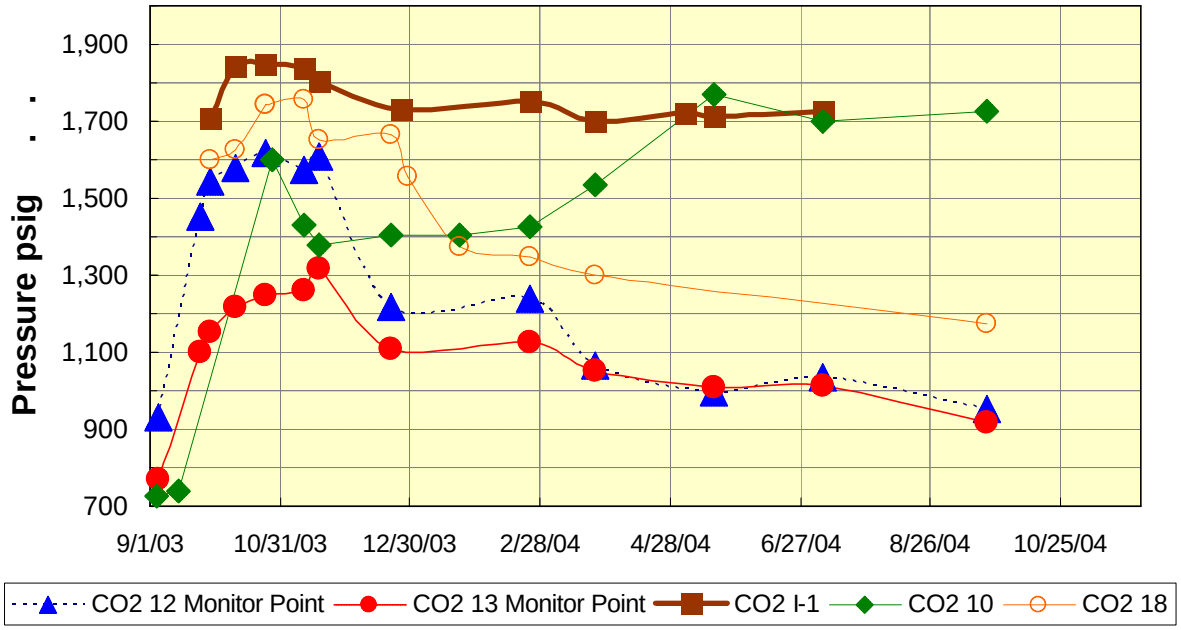




LKC Pilot Pressure 9-21-04



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells