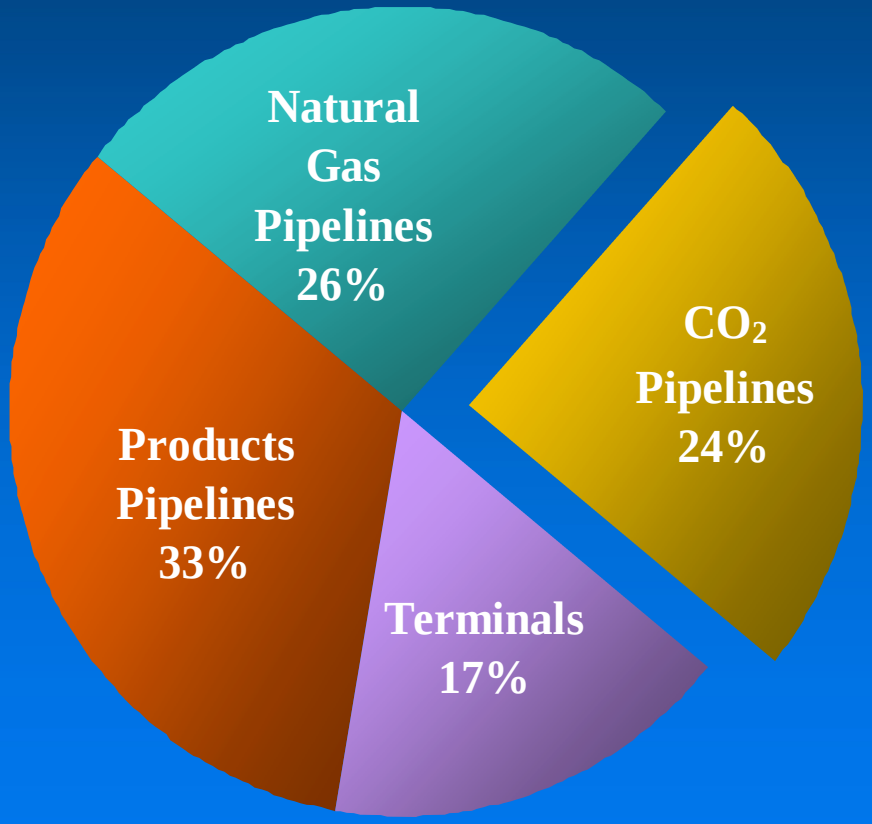
KINDER MORGAN

CO_2

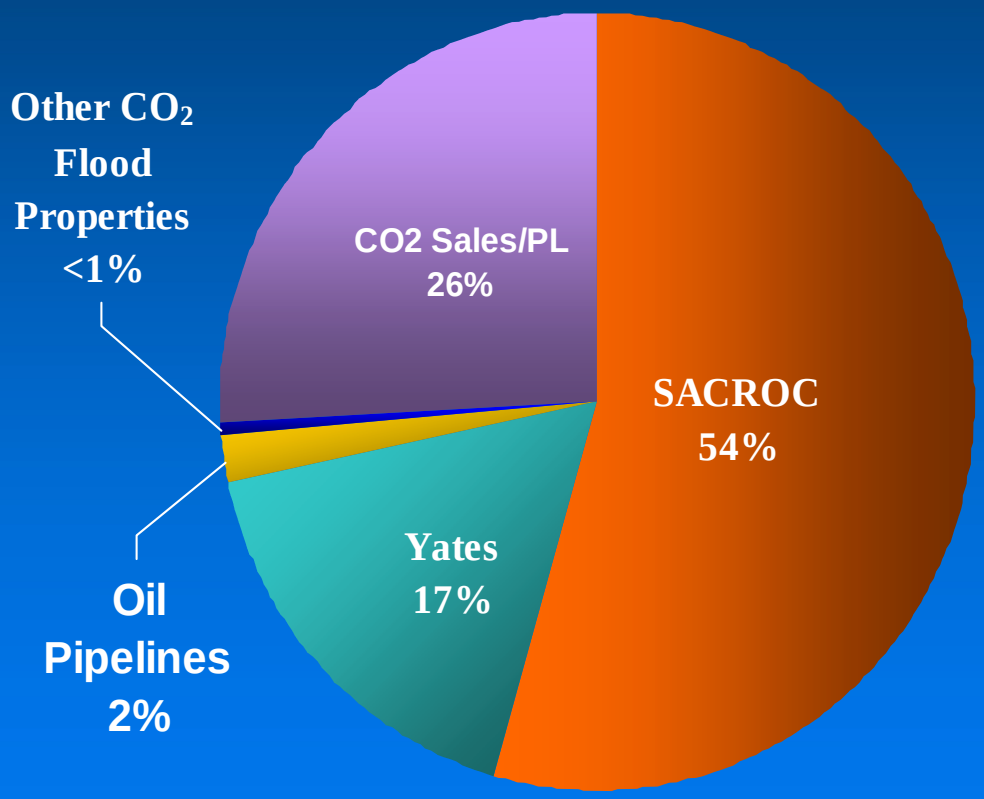
Tim Bradley

CO_2 Pipelines Segment Overview (a)

CO_2 Contribution to 2004 KMP Segment DCF (a)



Estimated breakout of CO_2 DCF (b)



(a) 2004 budgeted distributable cash flow before allocation of G&A and interest.
(b) Own use CO2 margin has not been eliminated

CO2 Business – View from the top

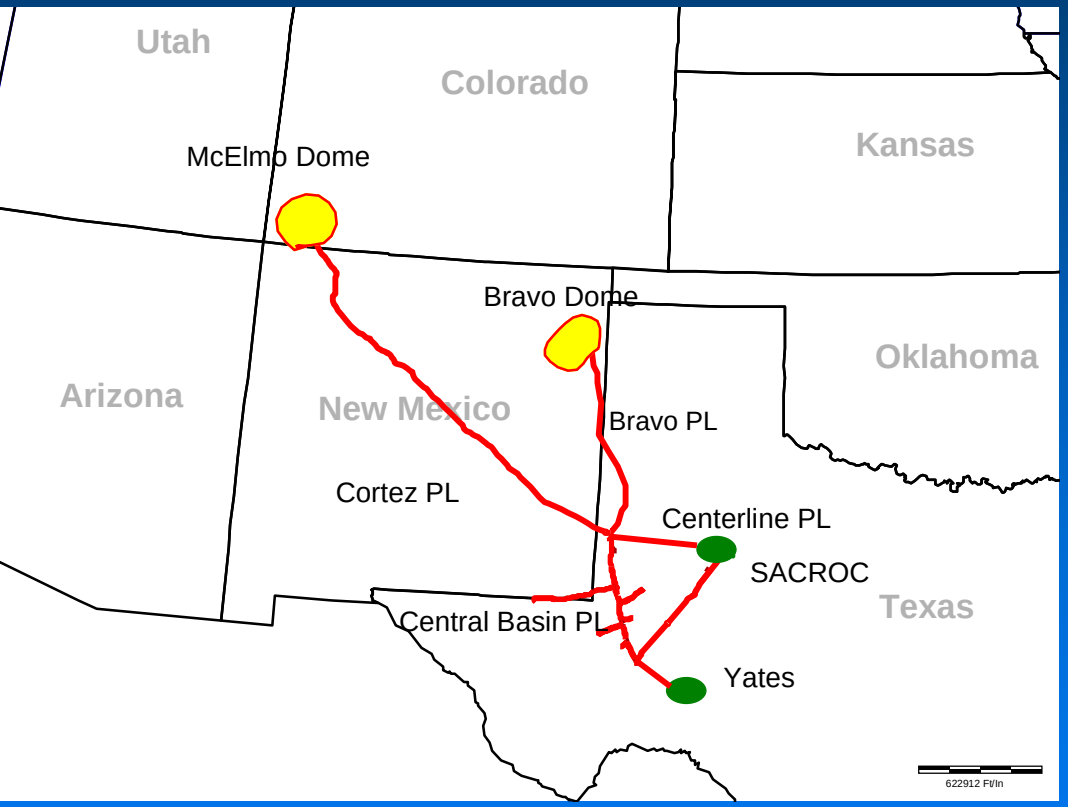
Excited about this business!

- McElmo Dome averaged 1 BCF/D during December 2003
- SACROC continues to increase cash flow and yield profitable investments
- Yates affords long stable production profile

Challenges

- Expeditiously execute infrastructure projects at SACROC to facilitate oil production and cash flow growth
- Work with Yates field co-owners to fully exploit its potential
- Pursue new CO2 customers in existing and new markets

Kinder Morgan CO_2 Operations



CO_2 Reserves	Company Ownership	Location	Remaining Deliverability	Operator
McElmo Dome	45%	SW Colorado	40+ years	KM
Bravo Dome	11%	NE New Mexico	14 years	Oxy

Pipelines	Company Ownership	Location	Capacity (MMcf/d)	Operator
Cortez	50%	McElmo Dome to Denver City	1,050	K M
Bravo	13%	Bravo Dome to Denver City	375	BP Amoco
Central Basin	100%	Denver City to McCamey	600	KM
CRC	90%	McCamey to Snyder	200	KM
CLPL	100%	Denver City to Snyder	290	KM

Oil Reserves	Company Ownership	Location	Remaining Life	Operator
SACROC	97%	W Texas	20+ years	KM
Yates	49.5%	W Texas	30+ years	KM

Promises Made, Promises Delivered

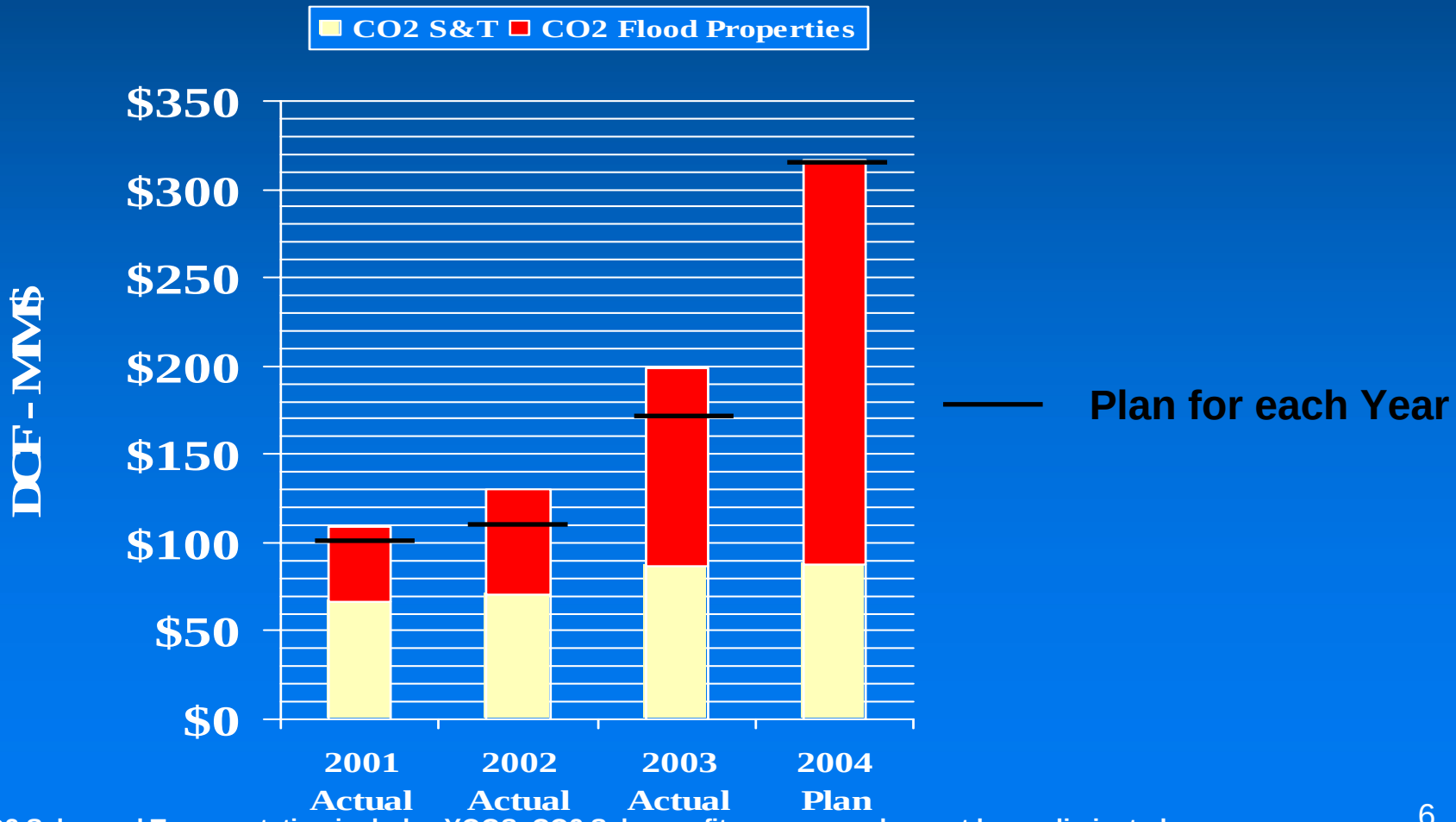
Promise Made:	**Promise Delivered:**
CO2 Sales/Transport business flat	2002 Deliveries: 152 BCF 2003 Deliveries: 174 BCF
CO2 Flood Development opportunities are growing	2003 SACROC Plan DCF: 56.6 MM$* 2003 SACROC DCF: 72.5 MM$*
SACROC Development (Gross):	
☐ Produce 20,000 BOPD	2003 average: 20,056 BOPD
☐ Invest 228 MM$	2003 investment: 244 MM$**
☐ Reduce Unit Opex to $6.50/Boe	2003 Opex: $5.51/Boe

- **Basis: CO2 profit on own use has not been eliminated from Sales and Use business**
- *** 84% Interest for SACROC in 2003 Plan and 97% interest actual year end**
- **** Costs on track, expanded scope**

Comparison of 2001, 2002, 2003, 2004 – Distributable Cash

CO_2 Sales and Transportation - steady growth

CO_2 Flood Development Opportunities - growing faster

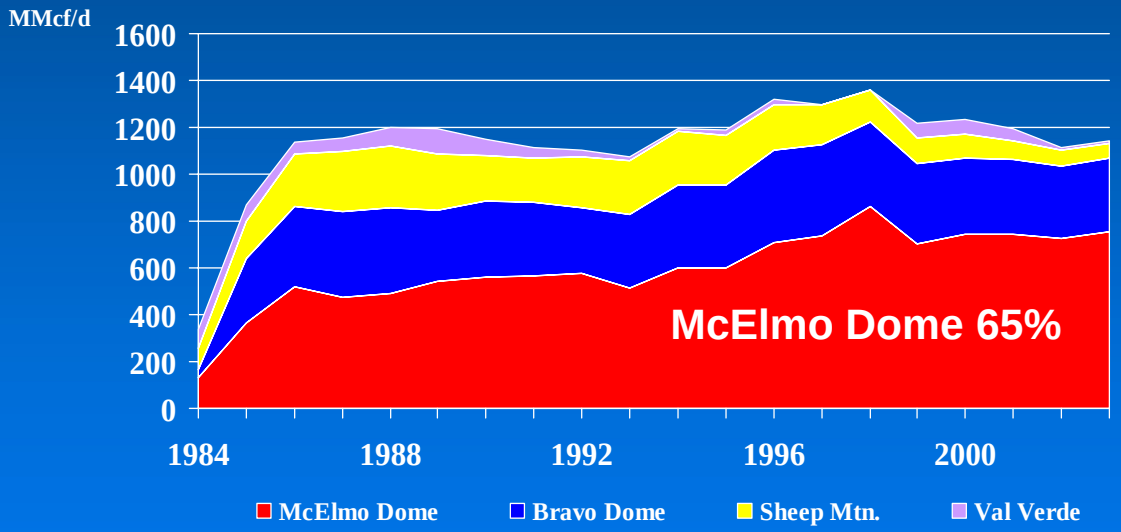


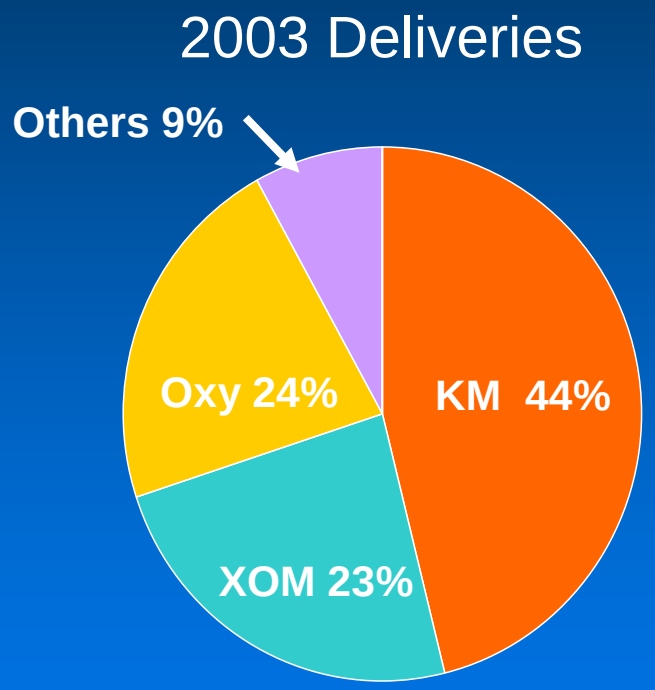
Note: CO2 Sales and Transportation includes YOGS, CO2 Sales profit on own use has not been eliminated.

Permian Basin Market Share

McElmo Dome is the premier source – Market Share continues to grow

Kinder Morgan remains the leading supplier





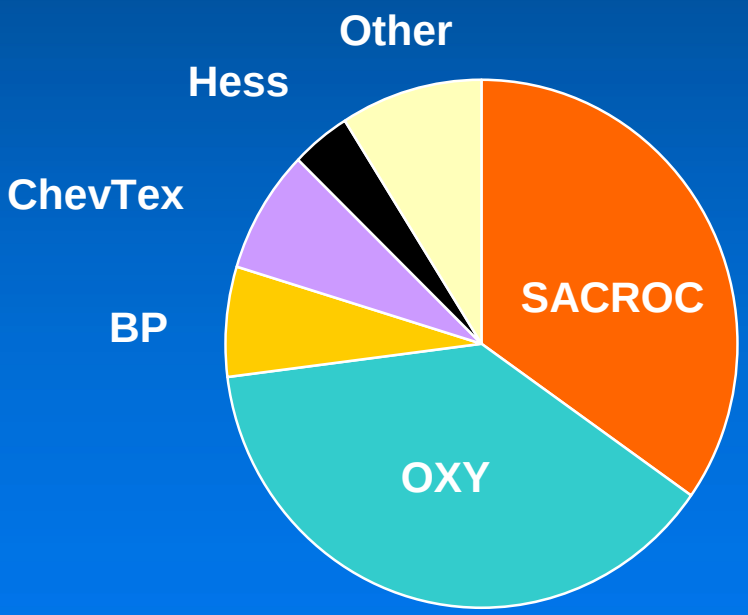
Total 2003 Supply:
1,142 MMcf/d

Estimates by Kinder Morgan CO_2 Company for 2003 through November based on deliveries made from McElmo Dome and entitled production from other sources

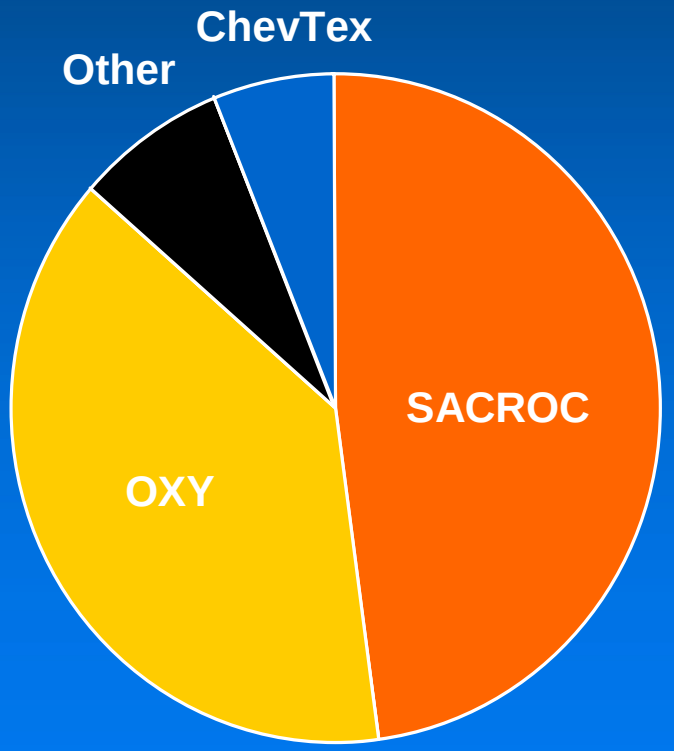
Kinder Morgan CO_2 Deliveries

SACROC deliveries are an increasing percent of Kinder Morgan CO_2 deliveries

Customer Base 2003 – 503 MMCF/d



Customer Base 2004 – 521 MMCF/d



Centerline Pipeline Project Overview

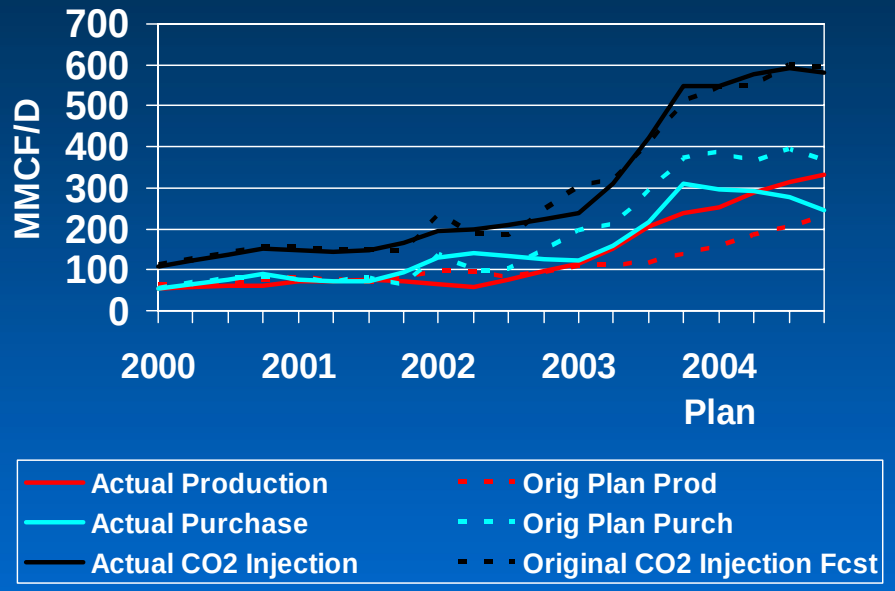
Project Summary

- Started construction 12/1/02
- Planned In Service 8/01/2003
- In Service 5/13/2003
- AFE Budget $39.5 MM
- Total Cost $28.5MM
- Design Flow 250 MMSCF/D
- Actual Maximum 295 MMSCF/D

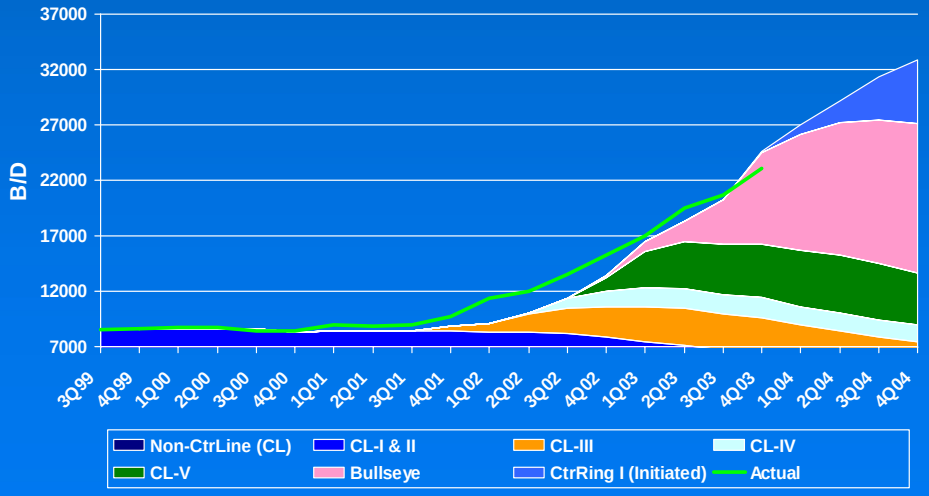


SACROC CO_2 Flood – Volumes Performance

Gas production has run higher than forecast resulting in lower purchases and temporary curtailments in oil production.

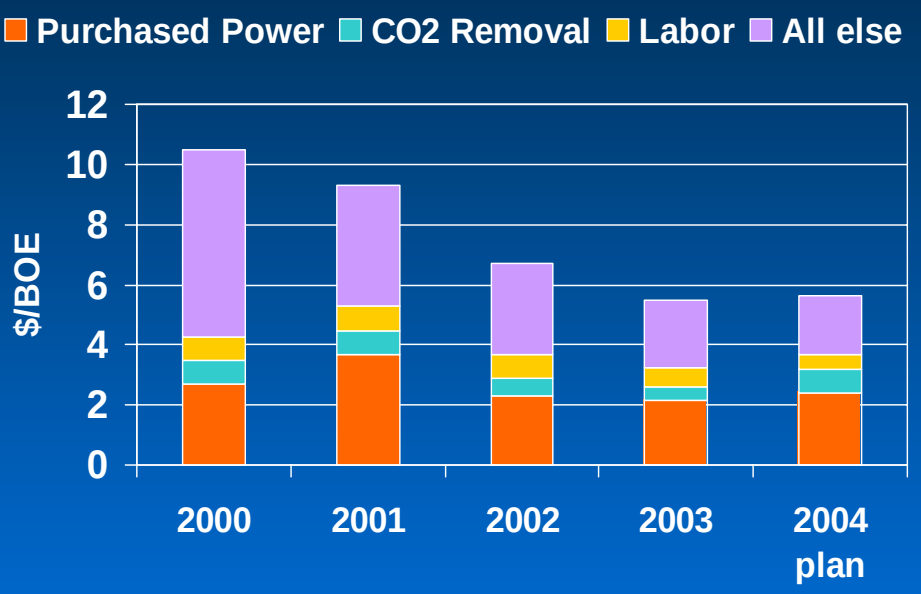


Oil reserves and production continue to track expectations.

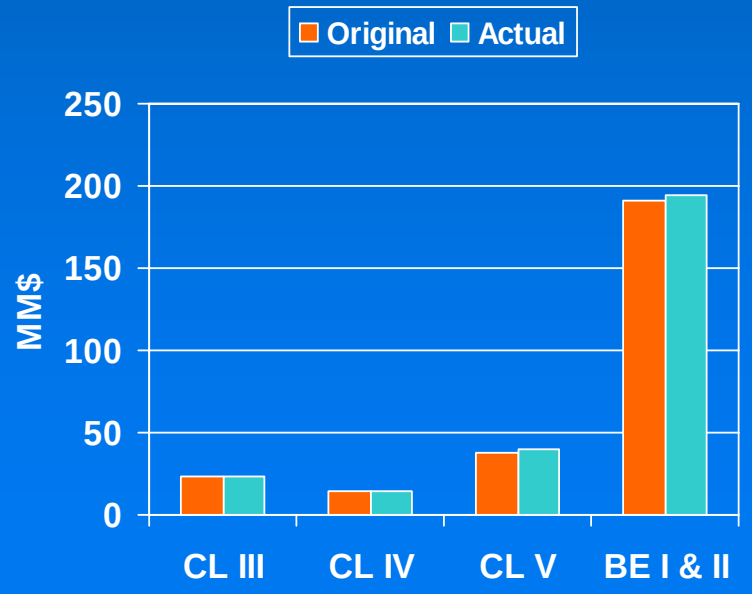


SACROC CO_2 Flood – Cost Performance

Unit Operating Costs have remained
in
check despite 30% cost per Kw
increase.



Capex has been within 2% of Plan.



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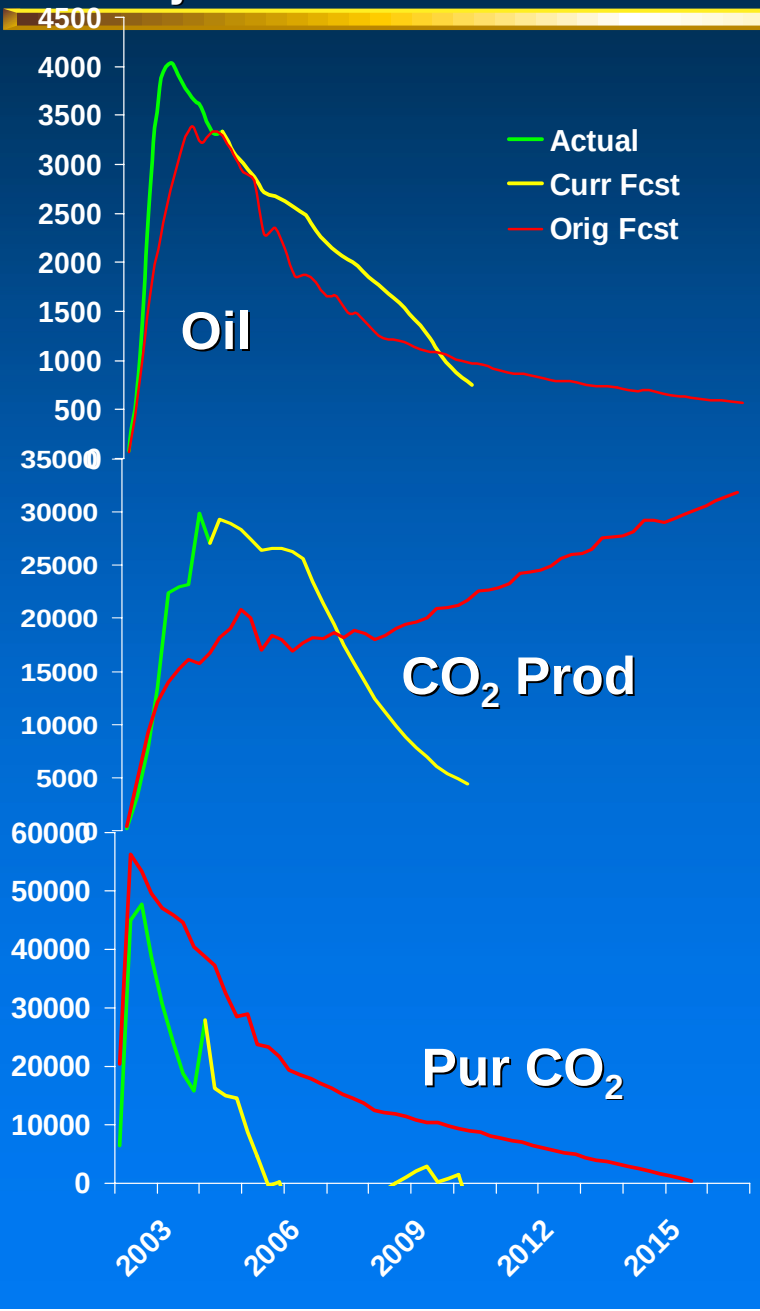
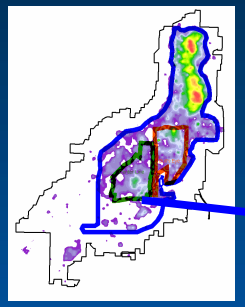
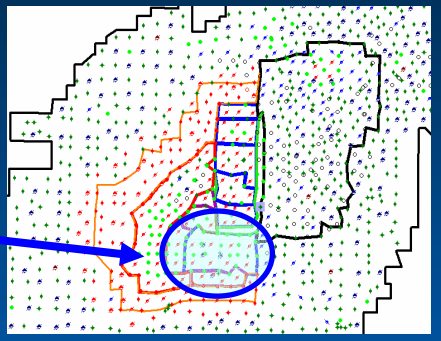
CenterLine III Project Development

Project Performance and Learnings

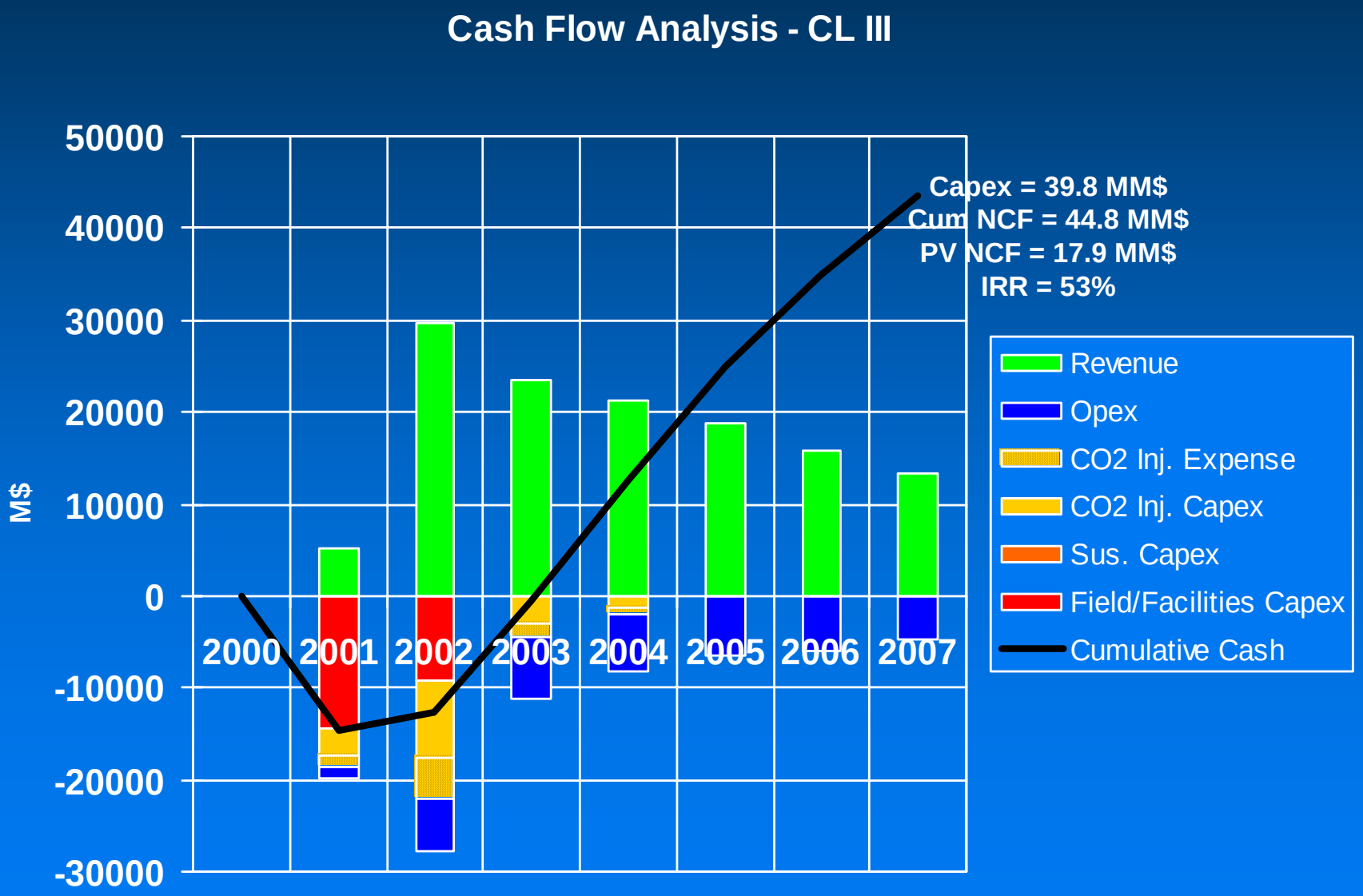






	Orig	Curr
Capex [$/BOE]:		
Wells	$ .95	$1.18
Field Facilities	$ .35	$ .47
Infrastructure	$1.16	$1.36
Opex [$/BOE]		
Gas Handling	$4.67	$2.56
All Else	$1.65	$1.39
Oil Price Assumption	$28.64 (2001)	Actual (2001-02)
	1st Union Deck	$20.00
Unlevered IRR %	24%	53%
Production/Pattern [MBOE] -	1,257	973
CO2 Injected [BCF] -	202	76

SACROC CO_2 Flood – CenterLine III Project Development



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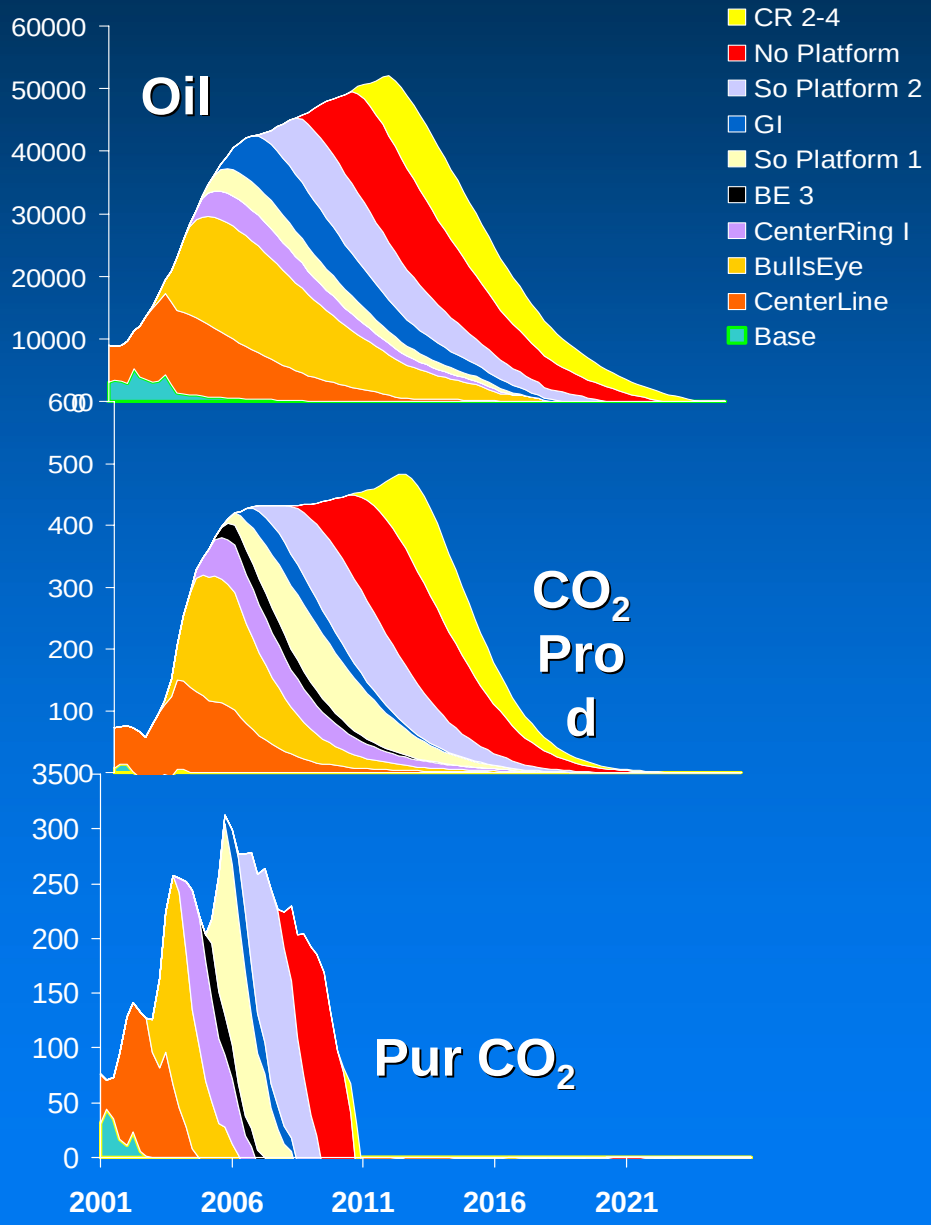
SACROC CO_2 Flood – Phased Project Development



Full Field Development (2002 Forward):

1. **Capex:**
   - Wells - $ .78/BOE
   - Field Facilities - $ .89/BOE
   - Infrastructure - $ .62/BOE
   - Purchased CO2 - $1.48/BOE
   - Subtotal - $3.77/BOE

2. **Opex**
   - Gas Handling - $2.40/BOE
   - All Else - $2.50/BOE
   - Subtotal - $4.90/BOE

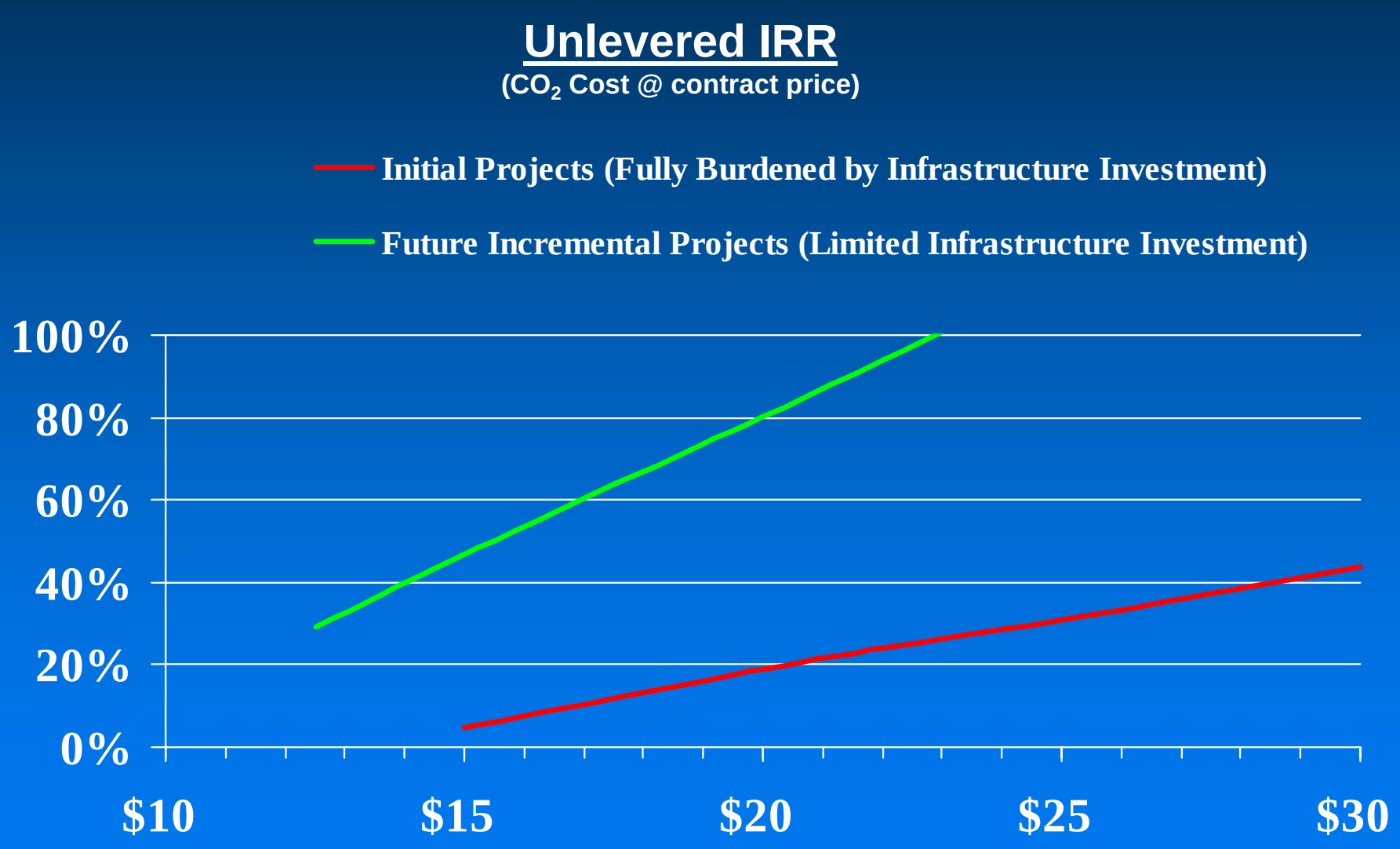
Total - $8.67/BOE

Volumetric Specs:

1. Production - 266 MMBOE
2. CO2 Injected - 2,132 BCF
3. % CO2 Purchased - 29.0%

Future SACROC Development Economics

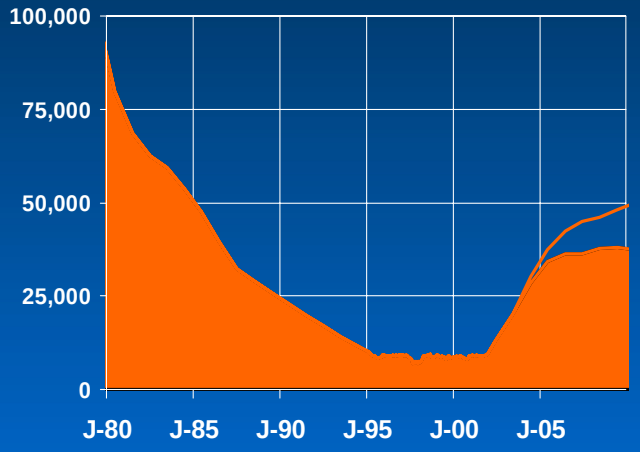
- Projects are resilient in low price environment

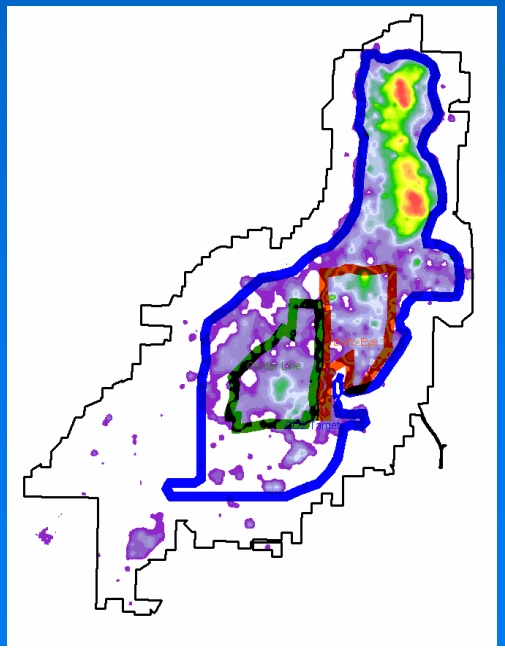


Basis: 660 Case, 2002 actual cash flows, flat oil prices without hedges beyond 2002

SACROC Long Term Potential

Daily Oil Production 1980-2010





Pre-2000 - Cumulative oil production 1.25 Billion barrels, 44.5 % OOIP, Production 8500 BOPD

2002
- Average oil production 13,052 BOPD
- Average CO2 injection 212 MMCF/D
- SACROC EBITDA* 31.3 MM$ (EOR Operations)

2003
- Average oil production 20,056 BOPD
- Average CO2 Injection 395 MMCF/D
- SACROC EBITDA* 73 MM$

2004
- Average oil production 30,000 BOPD
- Average CO2 Injection 620 MMCF/D
- SACROC EBITDA* 141 MM$

2004-2010+- Depending upon pace & extent of development: Oil Rate may increase to 33 - 50 MBOPD, EBITDA 140 – 200 MM$/Year

* Note: CO2 Margin has not been eliminated

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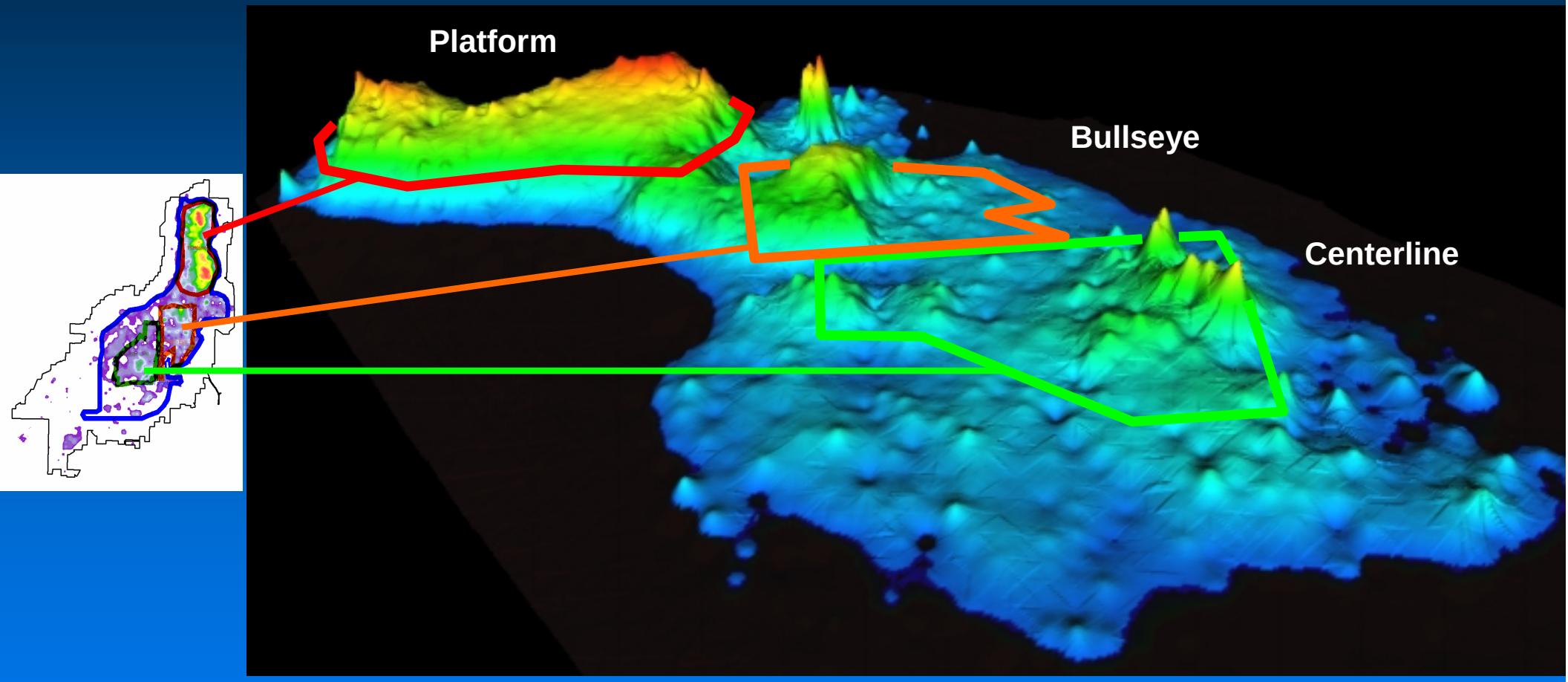
Development Pace – Reservoir Variability



North Platform reservoir is substantially thicker and more prolific than the Centerline area. Bullseye project may give early clues to optimize Platform region development.

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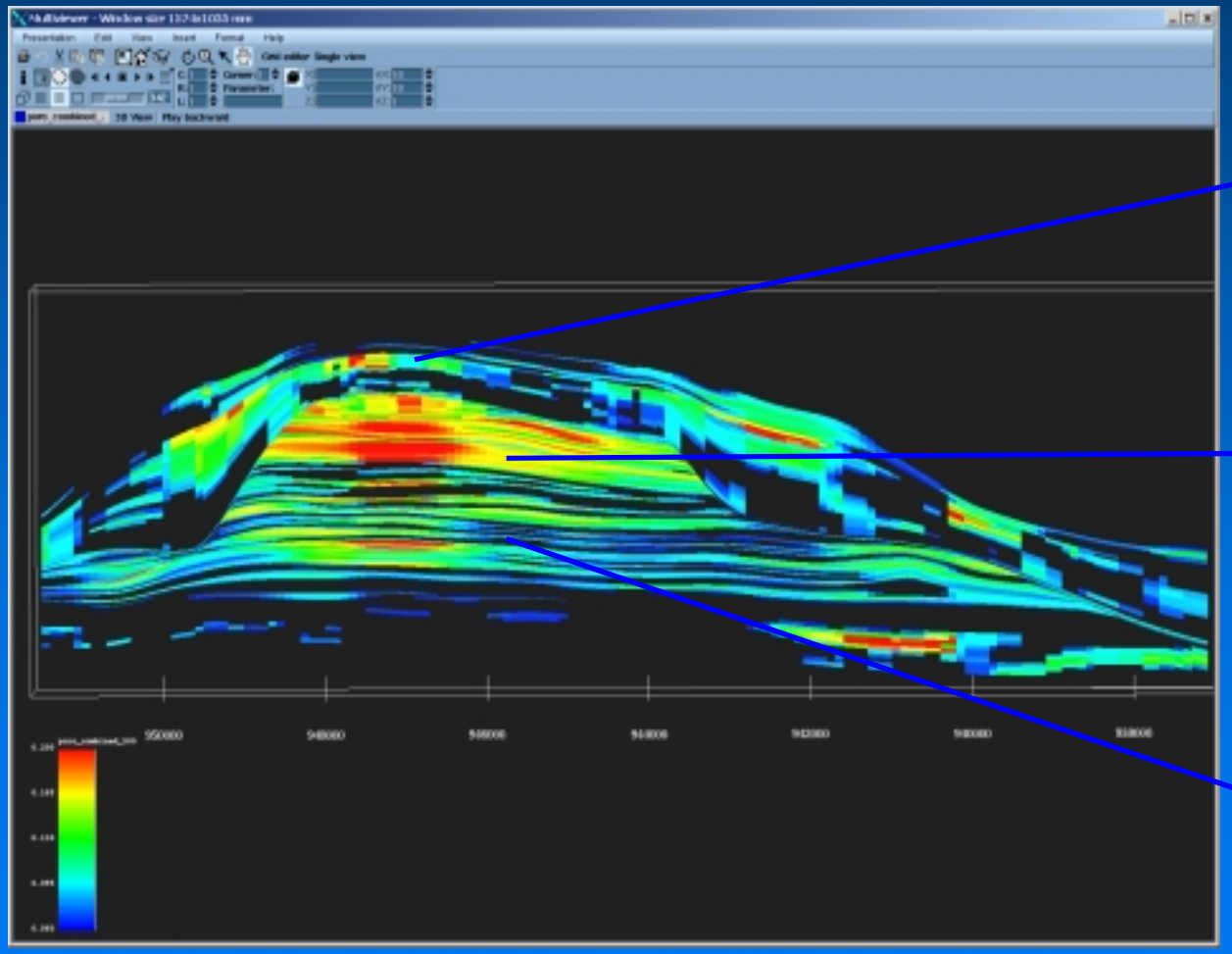
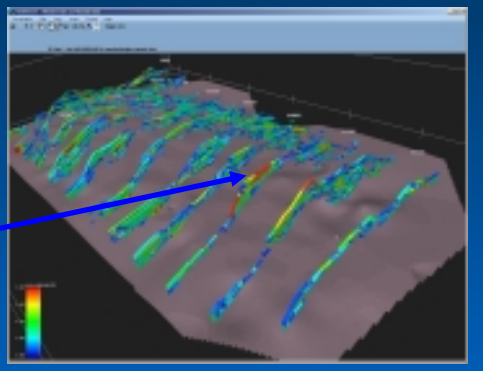
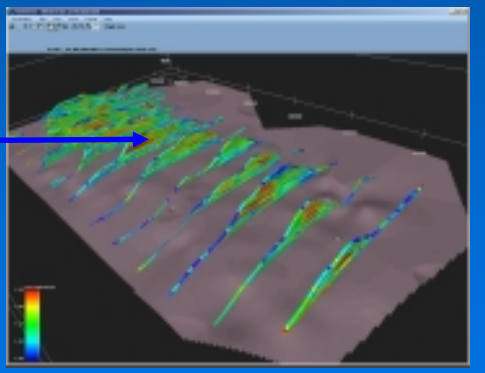
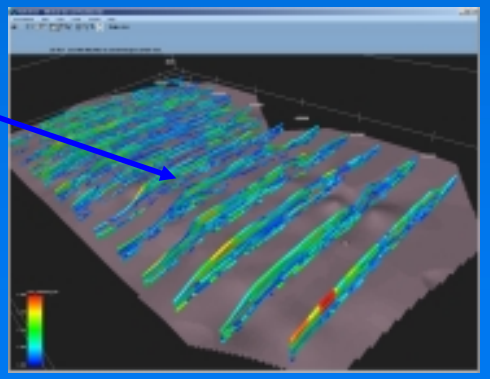
North Platform Development Planning

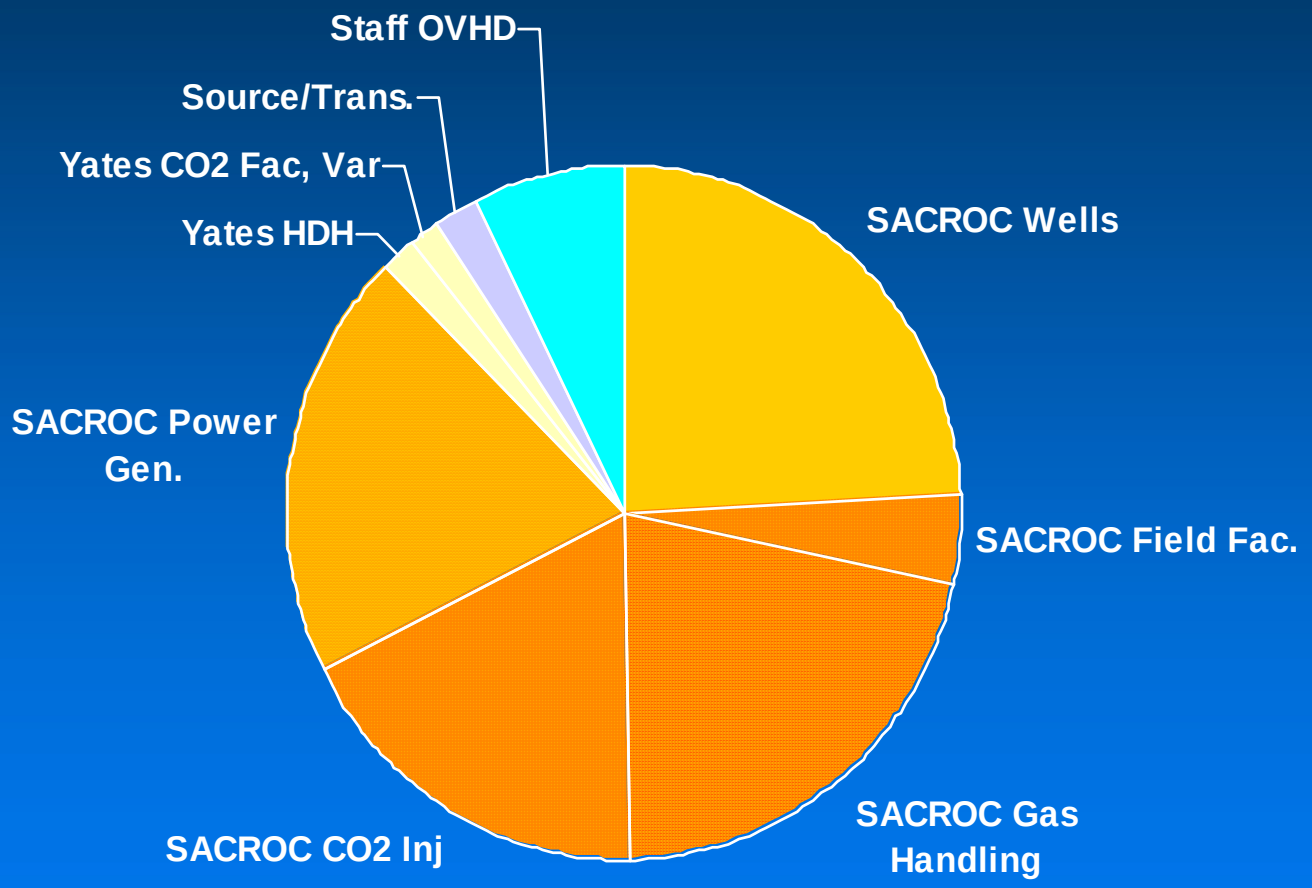








2004 Expansion Capital Budget – 309 MM$



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Power Generation Project Summary

Off Spec Gas and Existing Agreements Provide Unique Opportunity

- Pipeline Spec 3% Nitrogen, Current concentration 12% Nitrogen
- If gas is sold then 14% royalty and 7.5% tax paid; If burned on lease then no royalty and tax paid

Disposal Options for Gas ……..

- Developed additional markets for high Nitrogen gas
- Install nitrogen rejection unit
- Burn gas on lease, generate own power – own consumption expected to be > 100 MW

Plan:

- Install 2 LM 6000 Units, 100 MW Combined Cycle Power Plant – Operational 2nd qtr 2005
- Use power, sell excess if needed
- IRR 20% unlevered, improves with higher gas prices

Yates Pictures



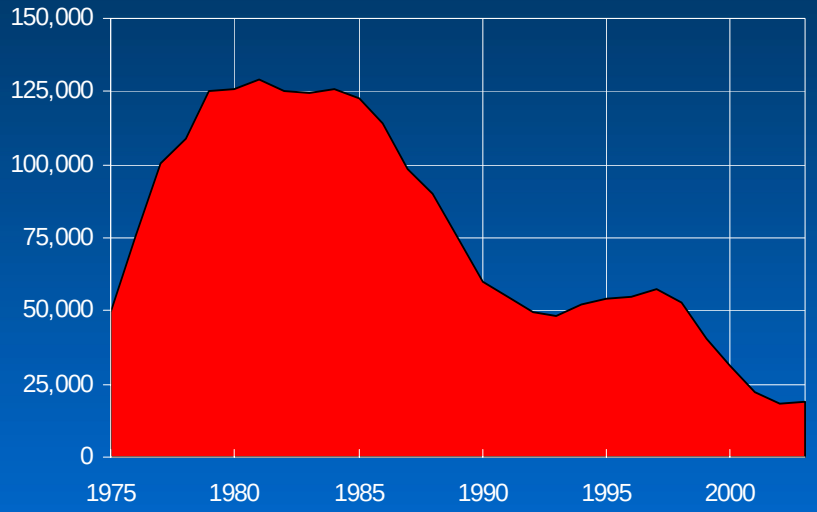


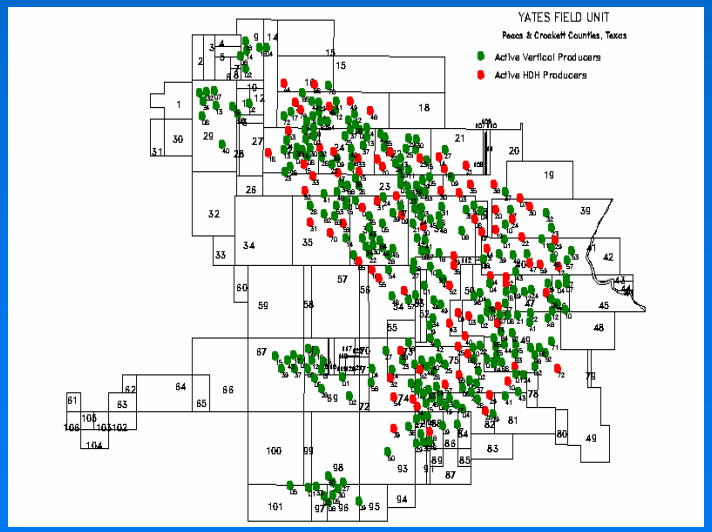




Yates Field Historical Overview

Daily Oil Production 1975 - Present





Pre-2000 - Field Discovery 1926. Unitized 1976
- Brief CO_2 injection 1988-1993 followed by N_2 injection 1993-2003

2001 - MKM Joint Venture formed, Kinder Morgan acquires 7.49% interest
- Cumulative oil production 1.37 Billion barrels, 27.4% of OOIP

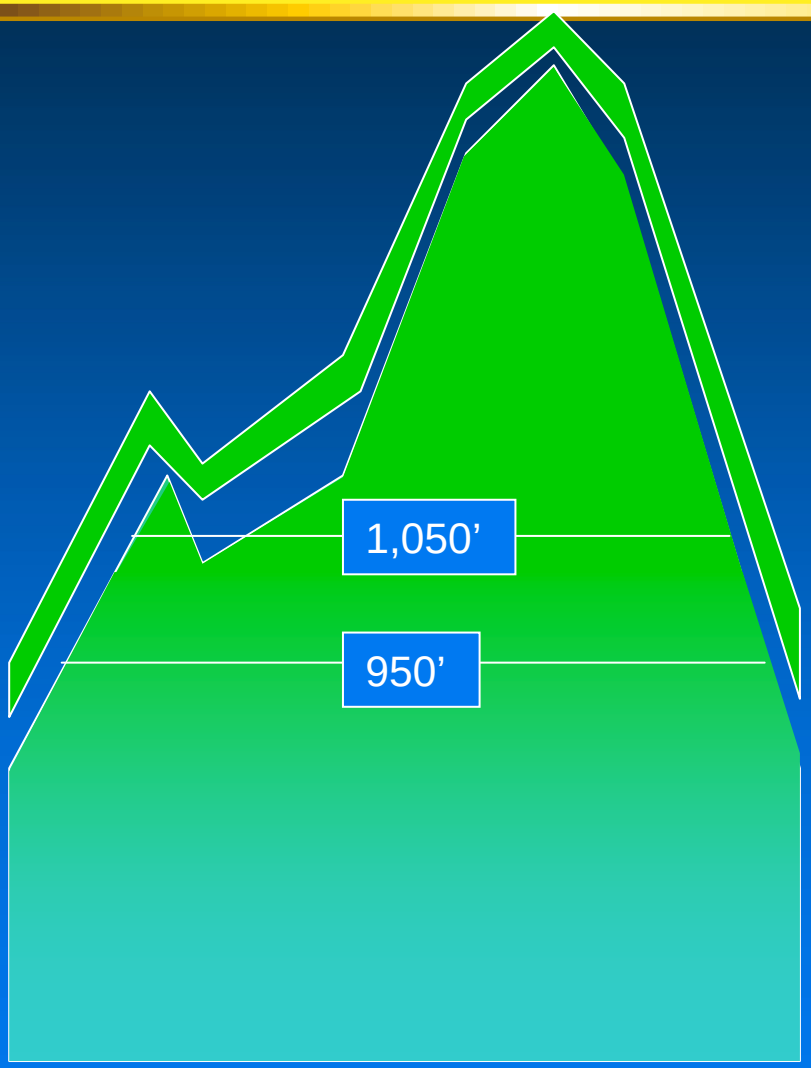
2002 - Average oil production 19,085 BOPD
HDH program initiated.

2003 - Average oil production 19,411 BOPD
- Kinder Morgan acquires remaining Marathon interest (42.45%) and becomes Unit Operator

2004 - Average oil production 20,000 BOPD
- Will commence CO_2 injection on March 1st

2004-2010+- Depending on impact of CO_2 on gravity drainage, and timing of N_2 rejection, Oil Rate may remain flat or even increase slightly for many years.

Yates Original Oil in Place, Recovery



	Gross BBO
7Rv/Qn/Gbg	0.5
SA (above 1,050’)	2.8
SA (950’ –1,050’)	1.4
Total SA (above 950’)	4.2
SA (below 950’)	0.3
TOTAL	**5.0**
Cum Production	**1.4**

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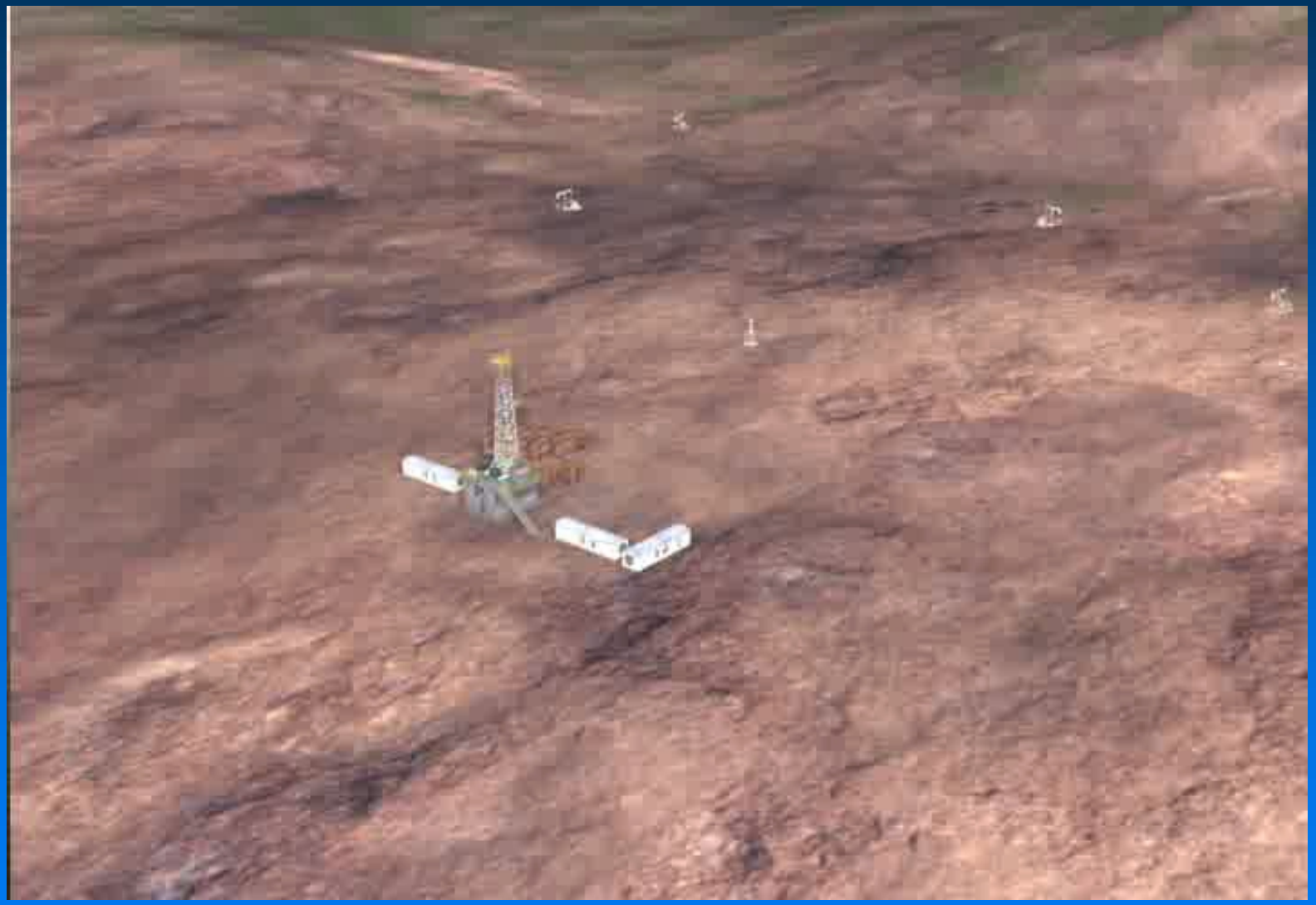
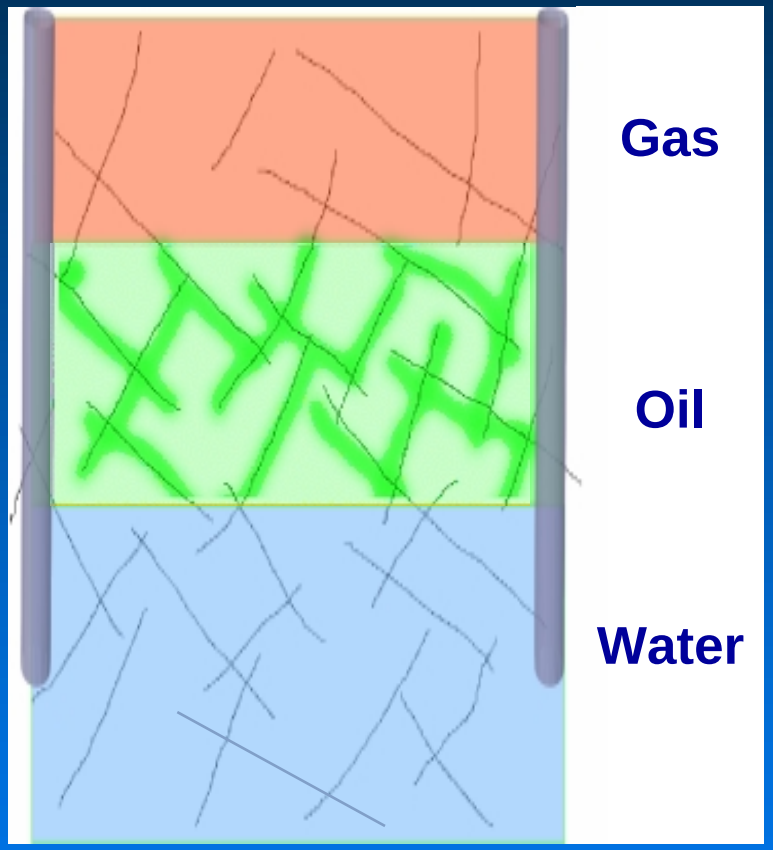
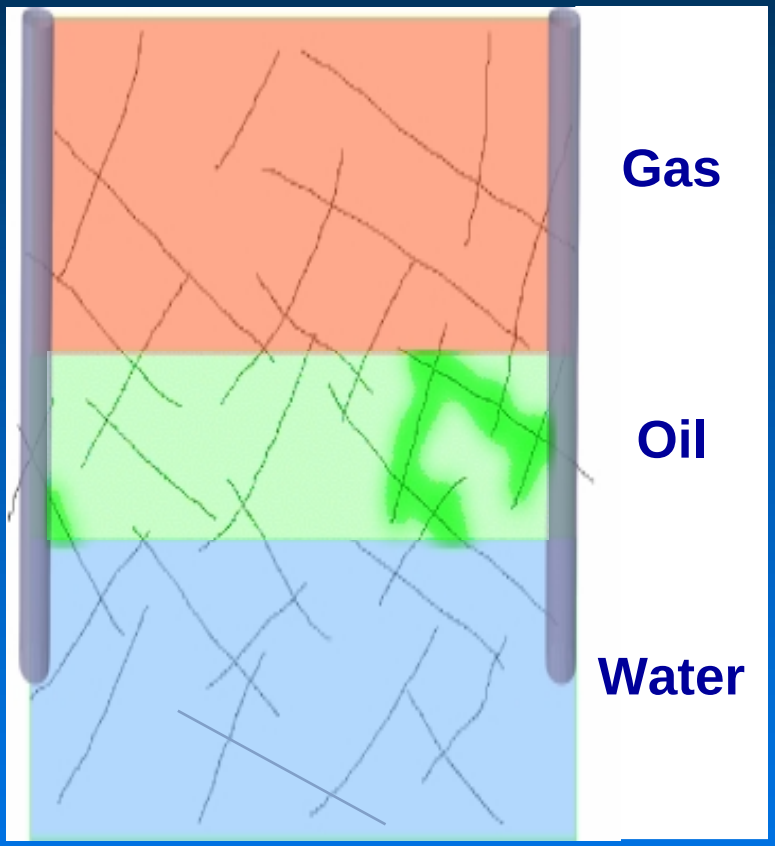
Yates Animation



Horizontal Workovers & Fracture Connectivity



At this elevation and column thickness, the fractures form a continuous connected pathway between the two wells.



At a lower elevation and thinner column, the fracture connectivity within the oil column is reduced.

LACK OF CONNECTIVITY LEADS TO COMPARTMENTALIZATION

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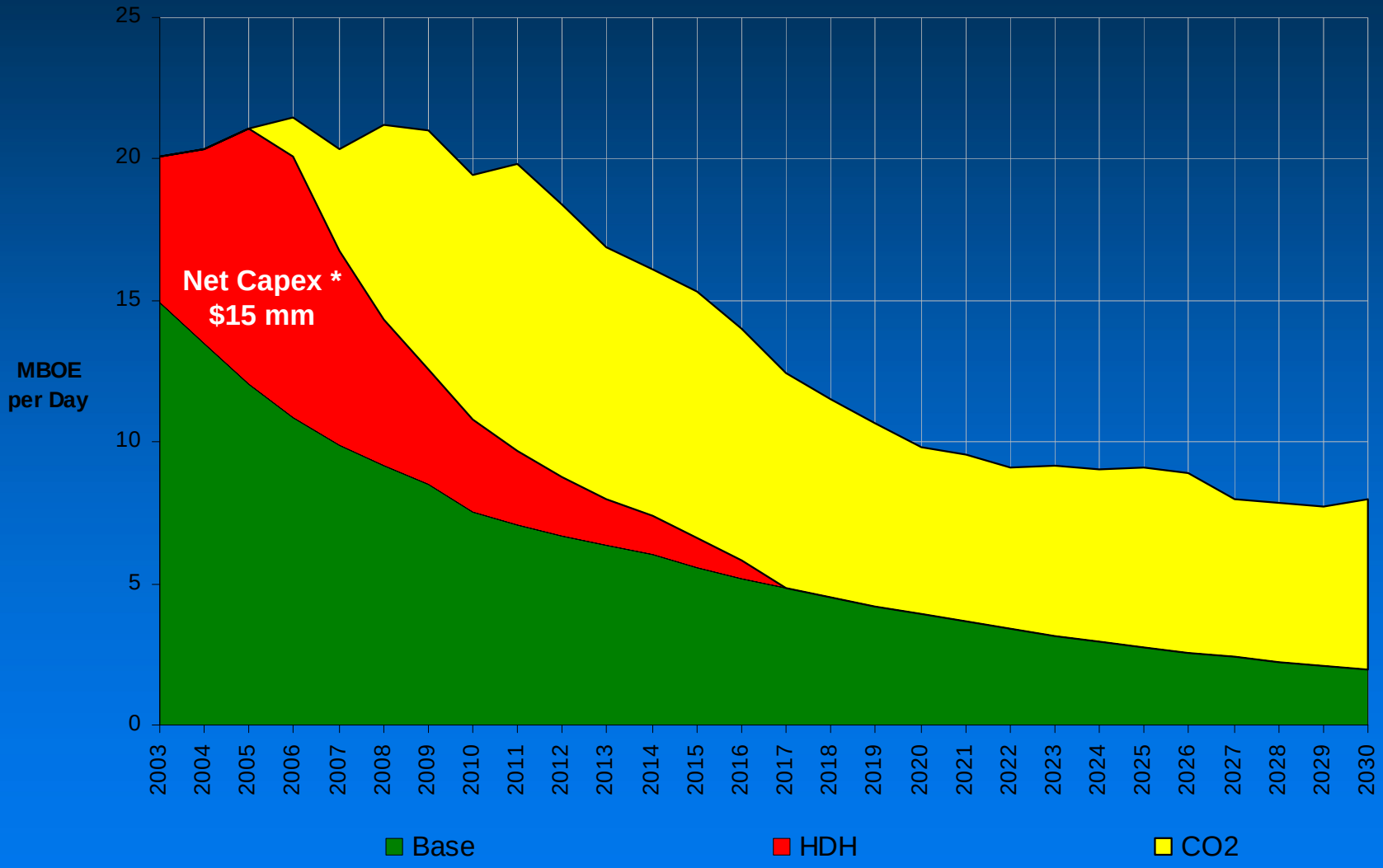
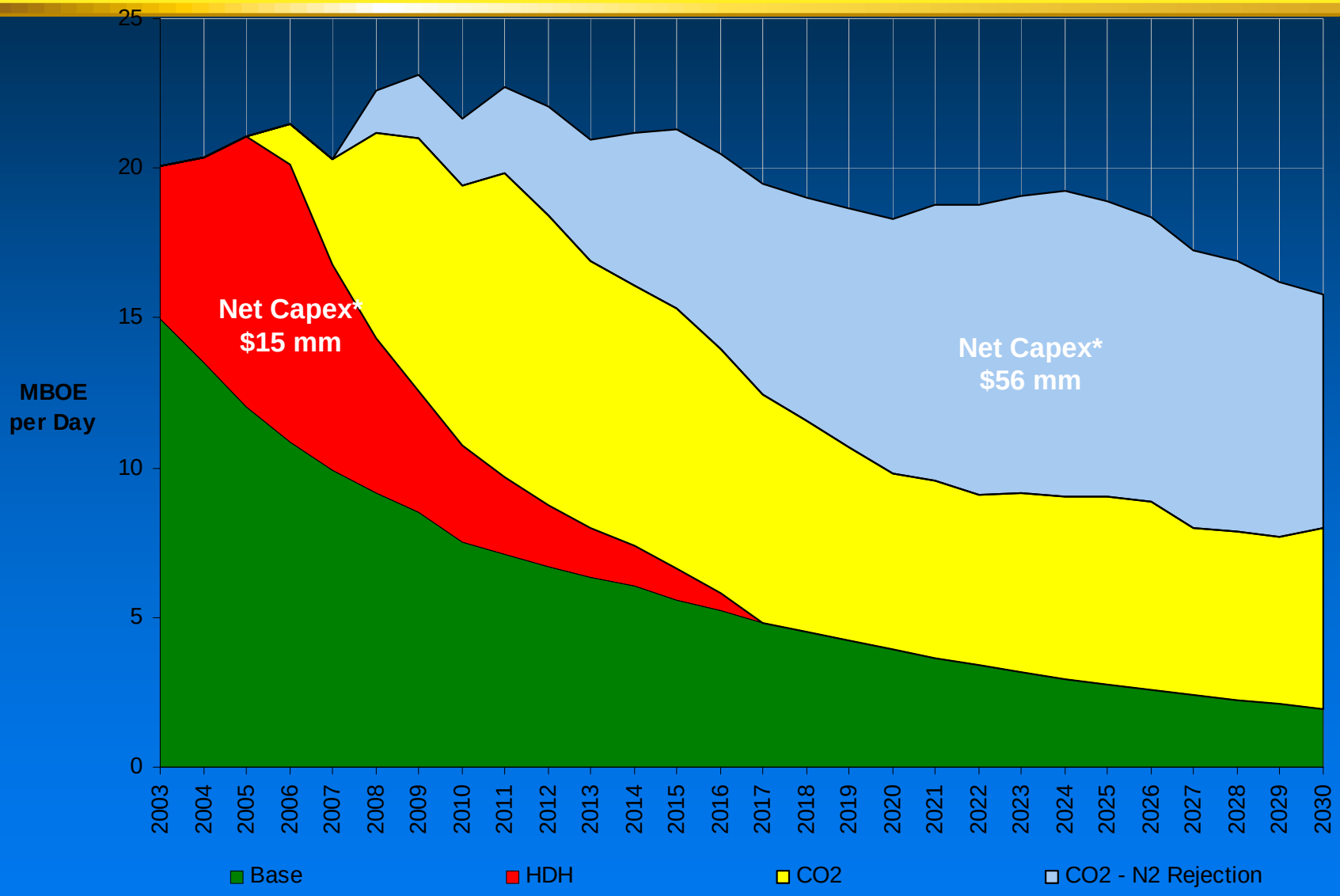
Base Case Profiles

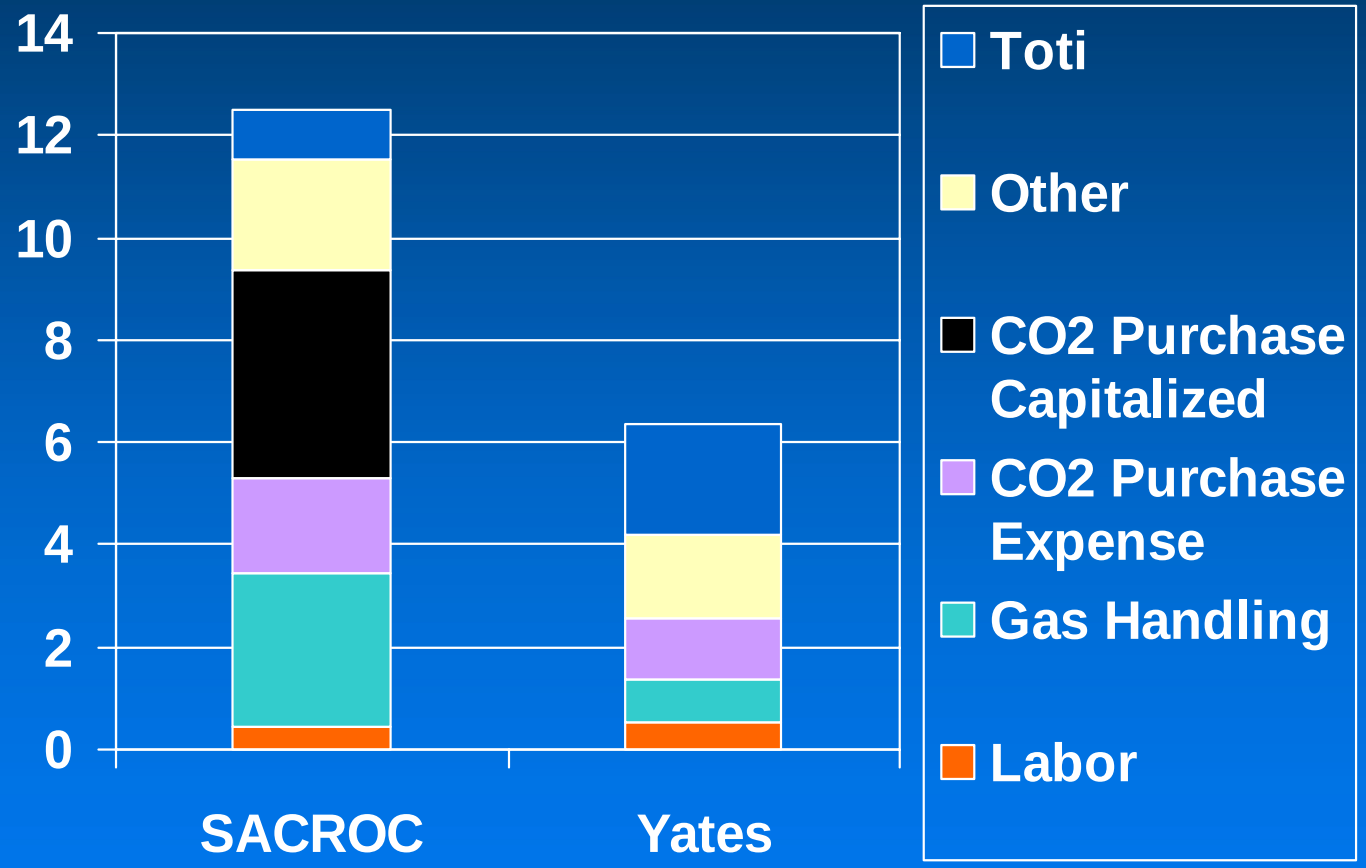


Base Case Profiles, with N2 Rejection

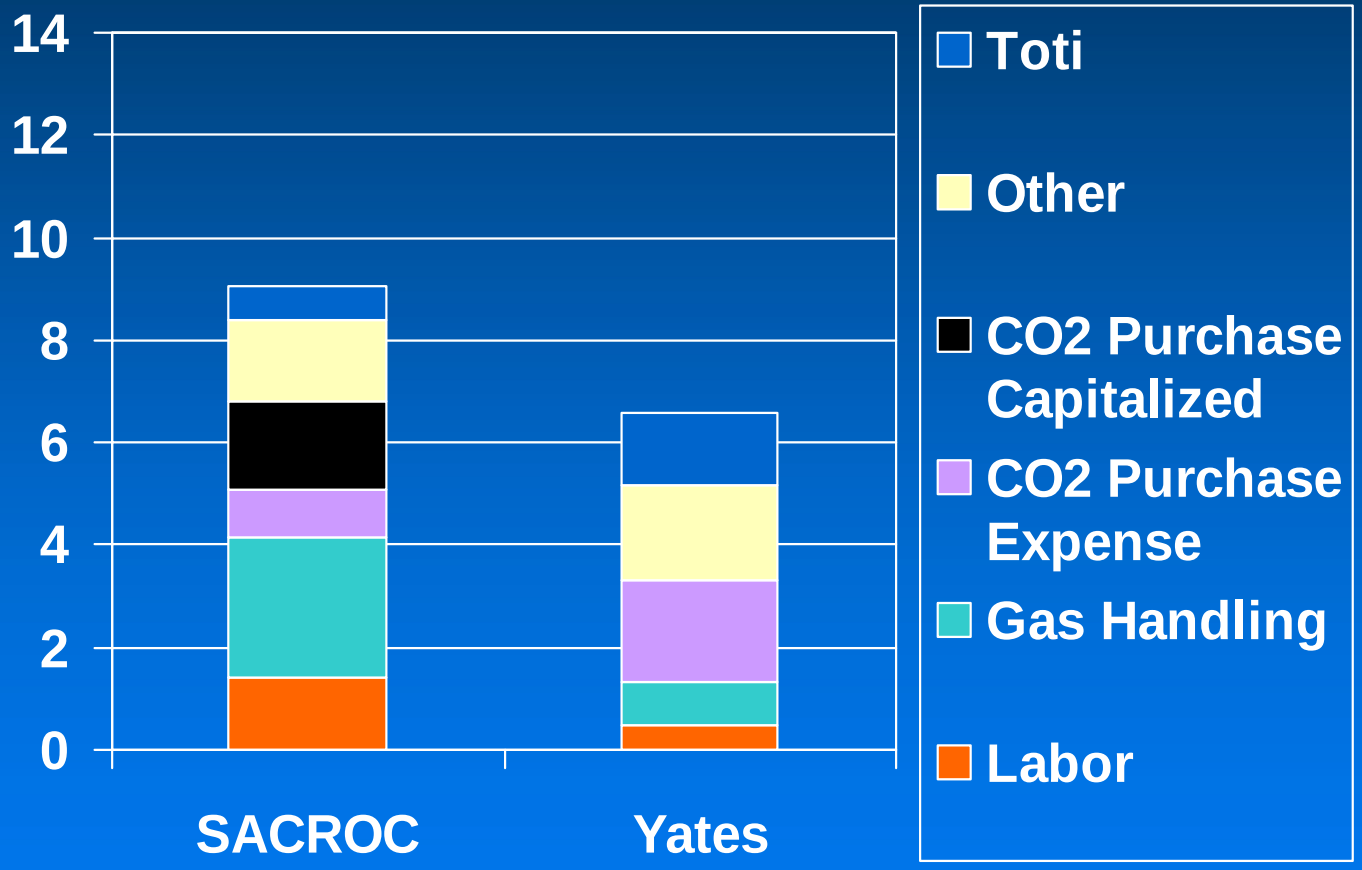


* Expansion capital

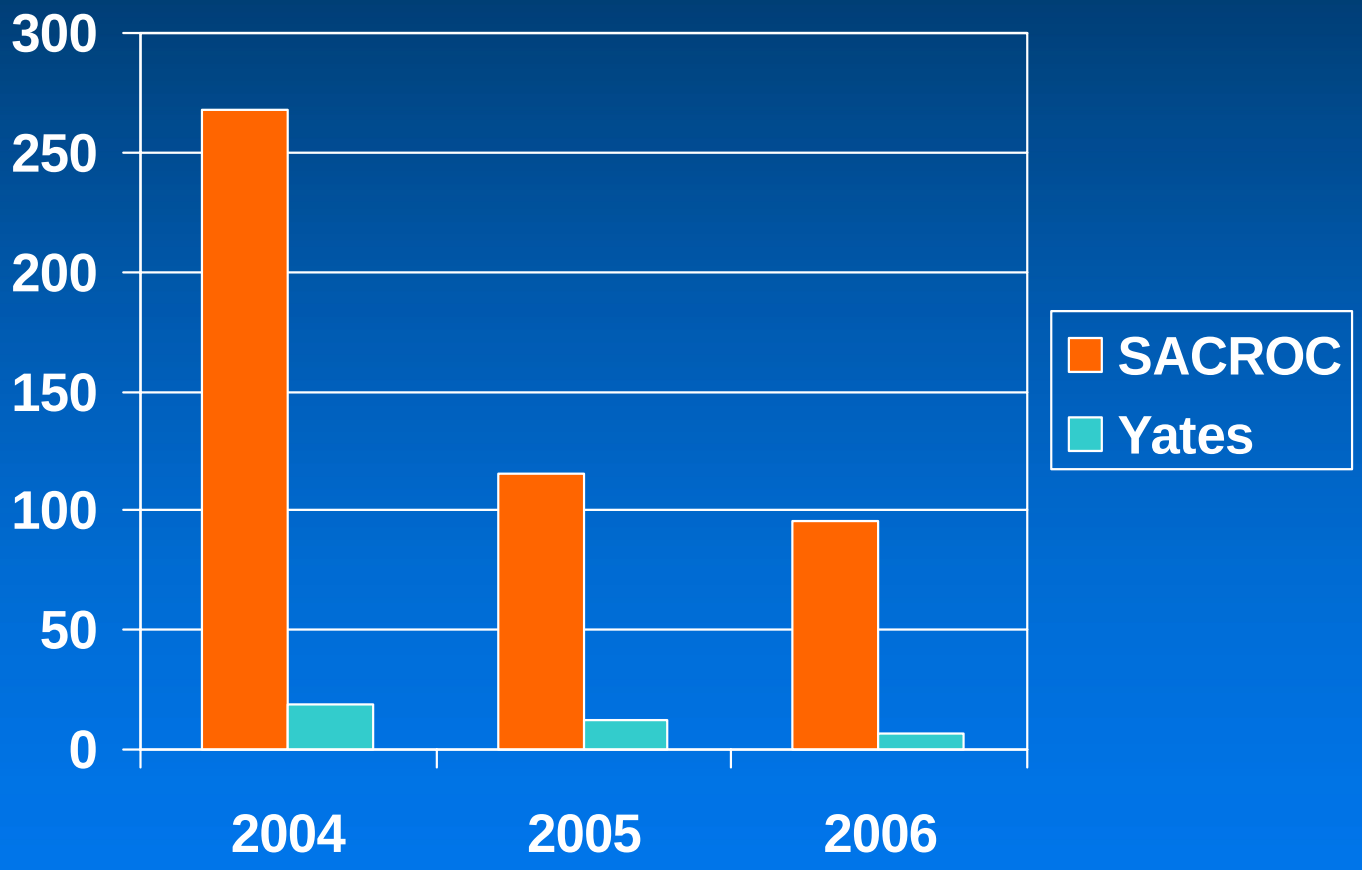
Comparison of SACROC and Yates Operating Cost Structure 2004 Plan



Comparison of SACROC and Yates Operating Cost Structure 2004 Forward

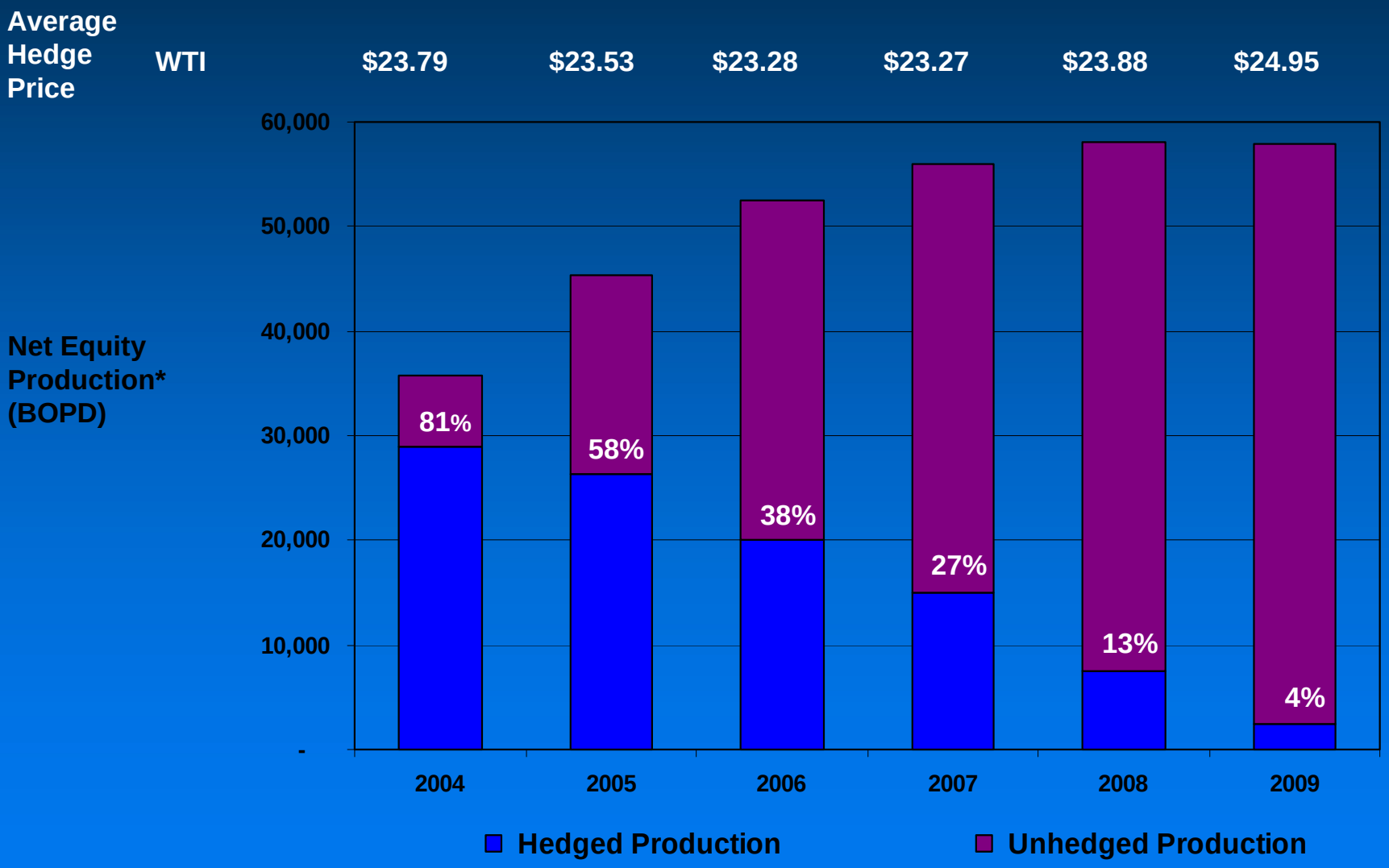


Comparison of SACROC and Yates Gross CAPEX*



*Note: Represents 8/8

SACROC and Yates – Hedge Position



Approved Plus Potential Projects

* Includes Heavier NGL Components

Impact of Oil Price/Volume Variance on 2004 DCF

2004 Budget:	**317.2 MM$**
SACROC	
+/- 1000 BOPD	**8.2 MM$**
+/- $1/BBL vs $27.45 WTI	**0.6 MM$**
Yates	
+/- 1000 BOPD	**3.8 MM$**
+/- $1/BBL vs $23.81 WTS	**1.6 MM$**
3rd Party CO2 Deliveries	
+ 50 MMCF/D	**6.0 MM$**

SACROC plus Yates Long Term Potential

Current Status

SACROC Producing ~24,000 BOPD

Yates Producing ~18,000 BOPD

Development Plans

1. **SACROC Full Field, Accelerated Development**

- 266 MMBOE Gross, ~20,200 Acres, 1015 MM$*

*2004 forward gross capital required including 536 MM$ capitalized CO2 and including power generation

2. **Yates CO2 injection – With N2 Rejection**

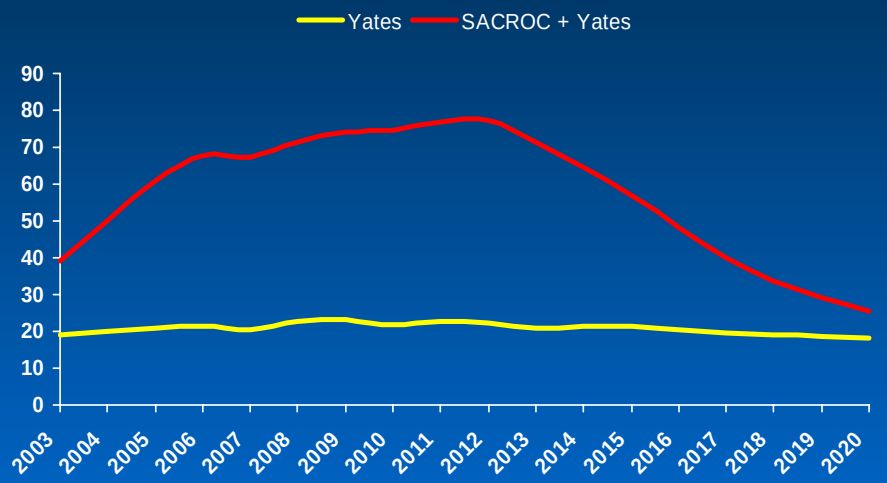
- 197 MMBOE Gross, 143 MM$ Gross Capex

Further work:

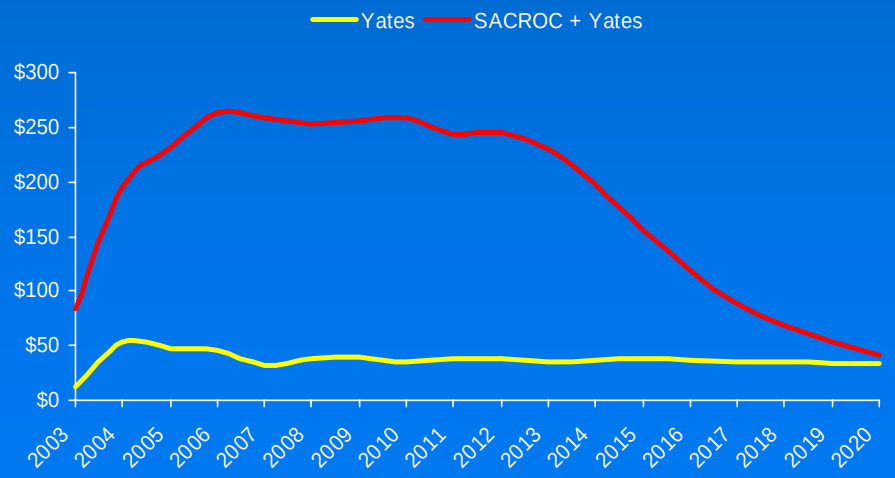
SACROC: Reservoir Modeling of Platform, Surveillance of Recent Bullseye Project, Field Test Alternate Development Strategies

Yates: Monitor performance of HDH program; Evaluate Nitrogen Rejection Opportunity

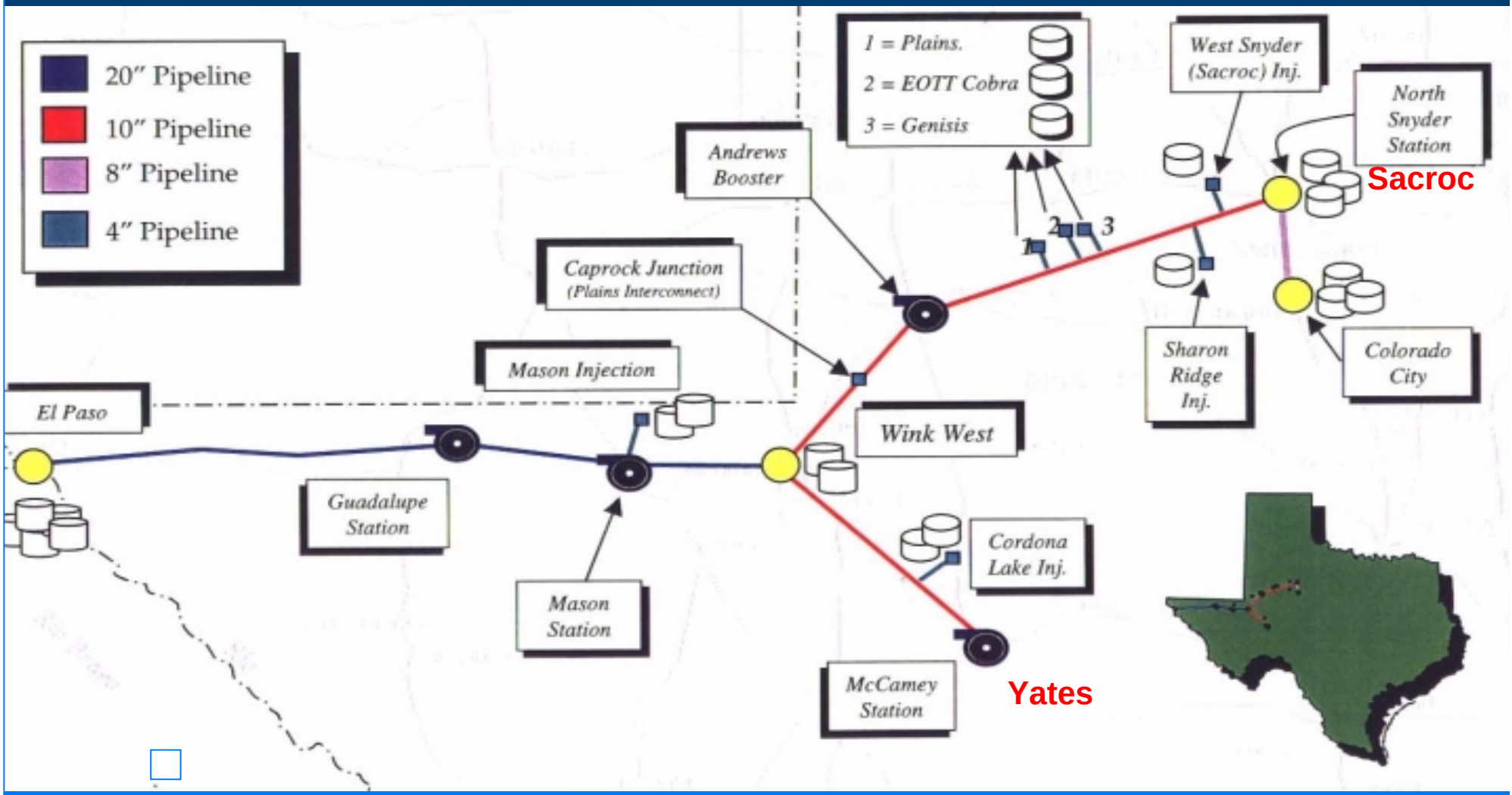
Oil Production, B/D



DCF, MM$/Yr - Oil Price $20/B



Kaston Pipeline Acquisition Opportunity



2003 Achievements, 2004 Goals

2003

Exceeded plan

- Volumes on, costs improved, price helped

Secured significant cost improvements

- SACROC unit costs down

Closed Key Acquisition

- Increased SACROC ownership to 97%, Yates to nearly 50%

2004

SACROC Development program – Stay the course

Commence CO2 injection at Yates, Continue HDH Program

Continue aggressive CO2 Marketing

Long-Term Outlook / Goals

Domestic oil reserve replacement costs are increasing

- CO_2 flooding provides an attractive cost structure and a proven track record to add new reserves

Kinder Morgan will leverage infrastructure in Permian Basin

- Lowest cost CO2 supply combined with largest reserves, infrastructure
- Own significant interest in and operate two world class reservoirs
- Remain patient and poised to selectively acquire strategic EOR target fields – and only at the right price

Use CO_2 assets and technology to maintain leadership in emerging U.S. CO_2 market

- Monitor emerging U.S. interest in CO2 sequestration


KINDER MORGAN