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CO_2

Tim Bradley – President

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CO_2 Business – View from the top

Overview

- We operate and own significant interests in two oil fields with over 5 Billion barrels remaining in place
- We operate the premier CO_2 Source and Transportation assets in the industry

Opportunities

- We have the capability and resources to develop and produce over 300 million barrels based on existing technologies.
  - SACROC ~10+% of 1.9 Billion barrels target oil in place
  - Yates ~ 2+% of 5.0 Billion barrels target oil in place
- Continued increase in 3rd CO_2 party demand

Challenges

- Expeditiously execute development projects at SACROC to facilitate oil production and cash flow growth
- Work with Yates field co-owners to fully exploit its potential
- Pursue new CO_2 acquisition opportunities and EOR customers in existing and new markets

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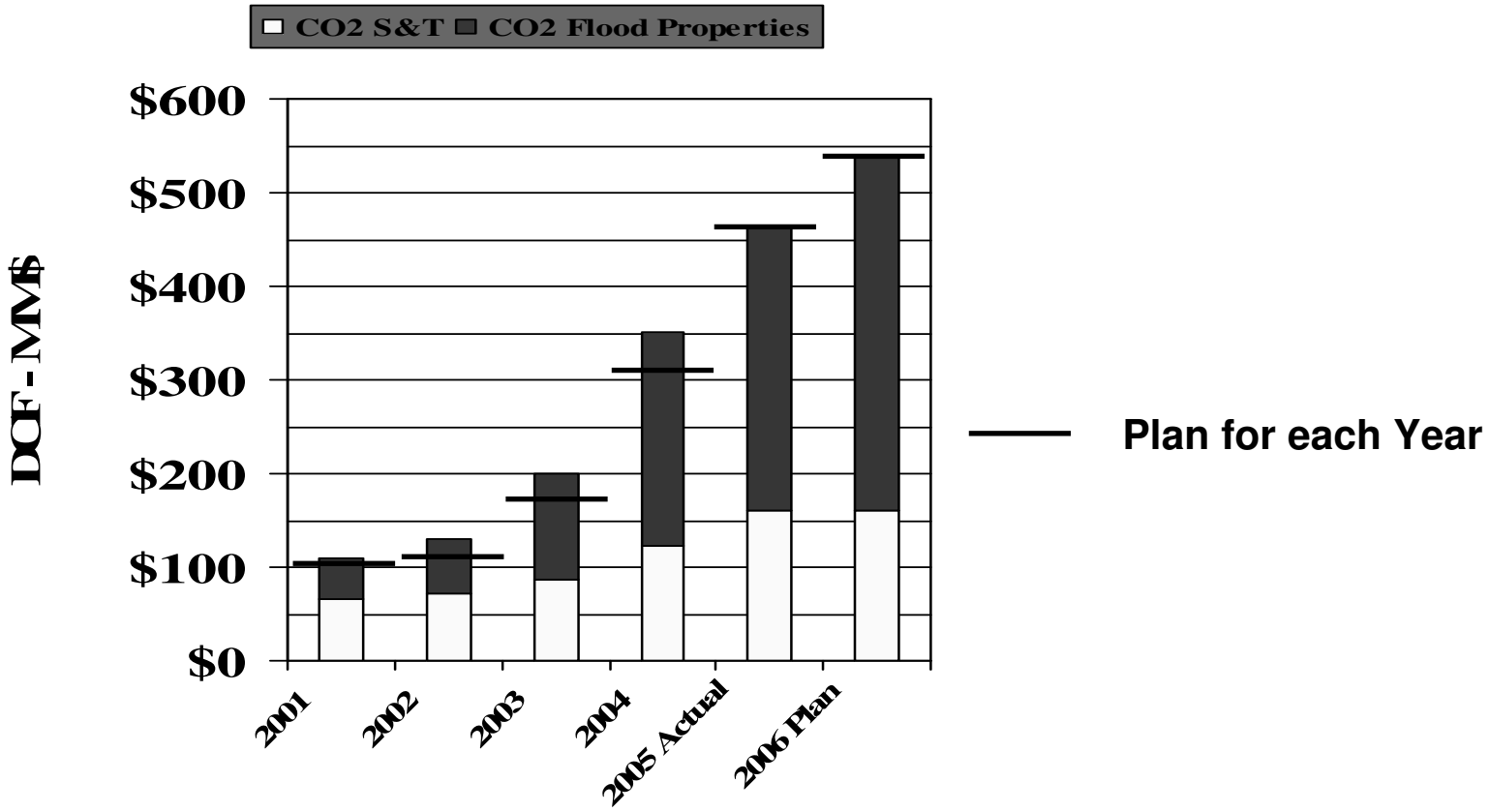
Distributable Cash Track Record

CO_2 Sales and Transportation - steady historical growth

CO_2 Flood Development Opportunities - growing faster



Note: CO_2 Sales and Transportation includes YOGS, CO_2 Sales profit on own use has not been eliminated.

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2005 High Level Results

Overall, results in line with budget:

CO_2 Source and Transportation — Outperformed

- **$161 MM vs $117 MM**

Yates — Outperformed

- **$100.5 MM vs $52.0 MM**
- **24,200 B/d vs 19,100 B/d**

SACROC* — Underperformed

- **$203.5 MM vs $295 MM**
- **32,200 B/d vs 36,500 B/d**
- **Still significant growth**

Note: *Including SACROC Services and remaining oil and gas assets

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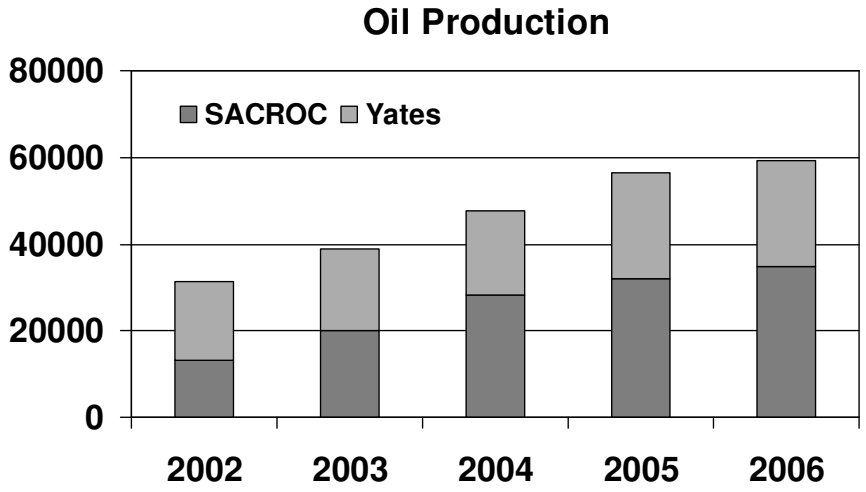
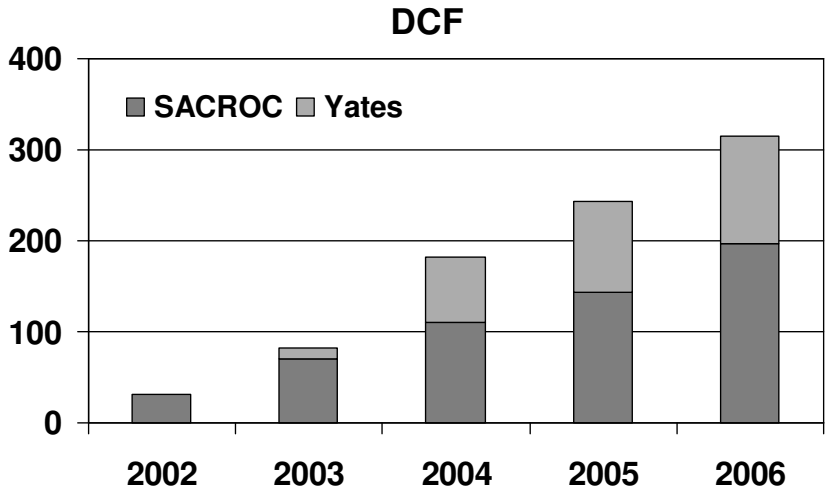
SACROC and Yates Oil Production DCF





Historical Summary

Acquisitions:

SACROC	June 2000
MKM	January 2001
Yates	November 2003

Significant Development Events

SACROC:

CLPL	April 2002
CL V, BE, CR I, II	April 2002-Present

Yates:

Horizontal Drilling	2002 – Present
CO_2 Injection	March 2004

2006 Production

SACROC	34,700 B/d
Yates	24,500 B/d

2006 DCF

SACROC	$197 MM
Yates	$117 MM

Note: Yates DCF does not include contribution from MKM

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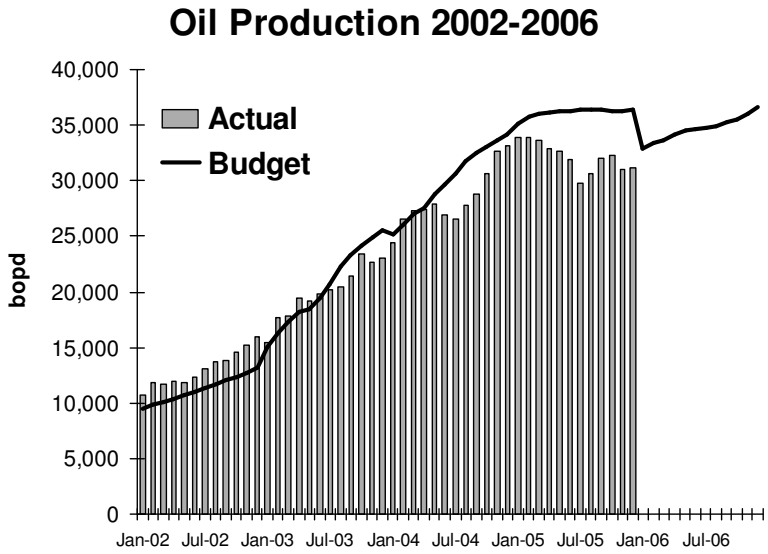
SACROC Production Performance



2005 – Recap

Challenge 1: Reservoir Fill-up occurred

Reservoir Pressure increased faster than expected
Injection rates curtailed

Challenge 2: Gas Production Volumes

Forecasting tool generated range of outcomes
Capacity additions stalled to refine expectations

Result: Oil production stalled until injection volumes increased.

Offsite water disposal initiated
Three additional compressors ordered
Engineering underway to expand Gas Processing capacity

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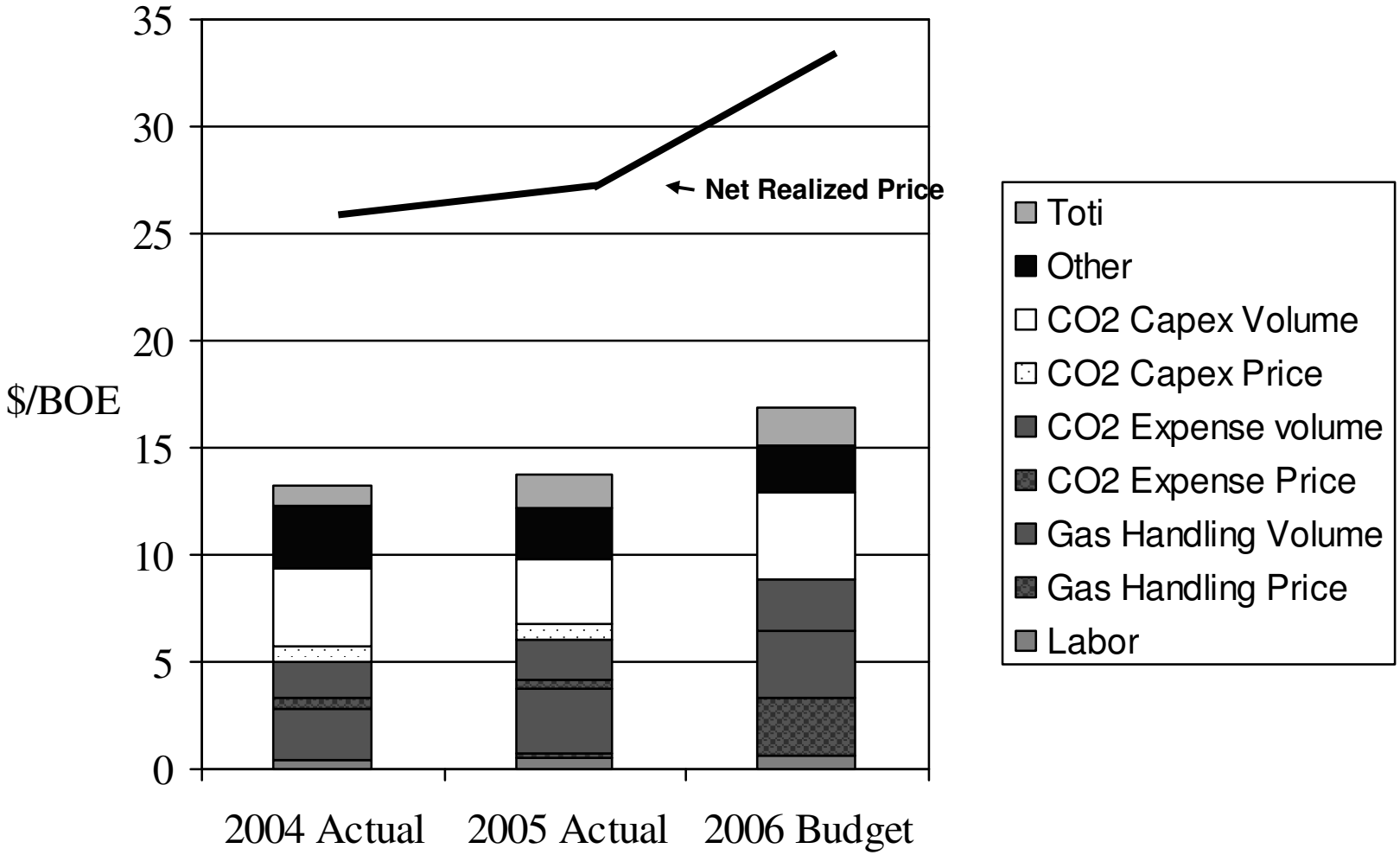
SACROC Margins Net of Hedging Practices



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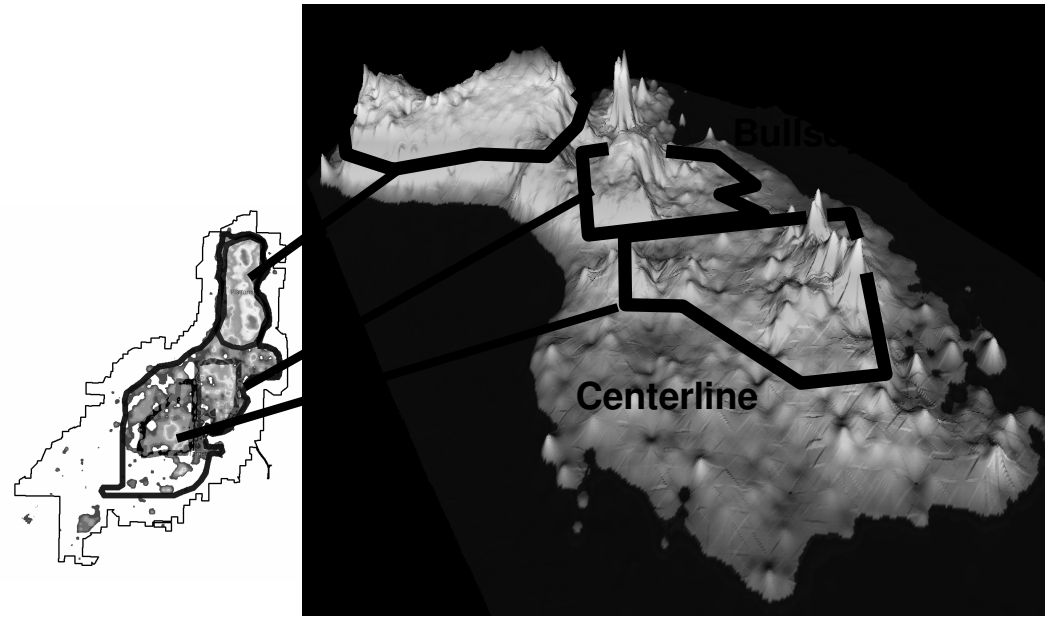
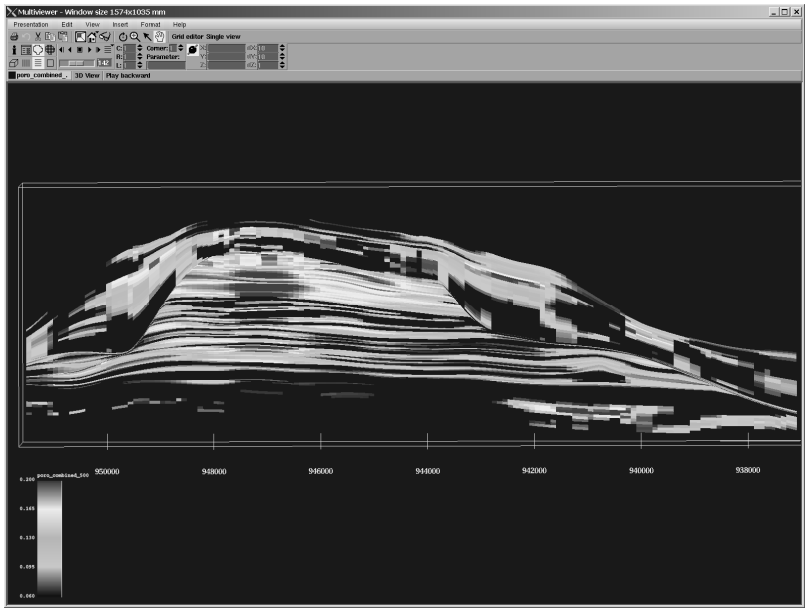
Future Development Planning



Net Pay Thickness



Platform area 3D Seismic Cross Section

Our plan to develop platform will be to flood the three zones independently and sequentially starting at the bottom. This will result in a lower peak, but longer life and more stable production profile. Well work should commence during 2008.

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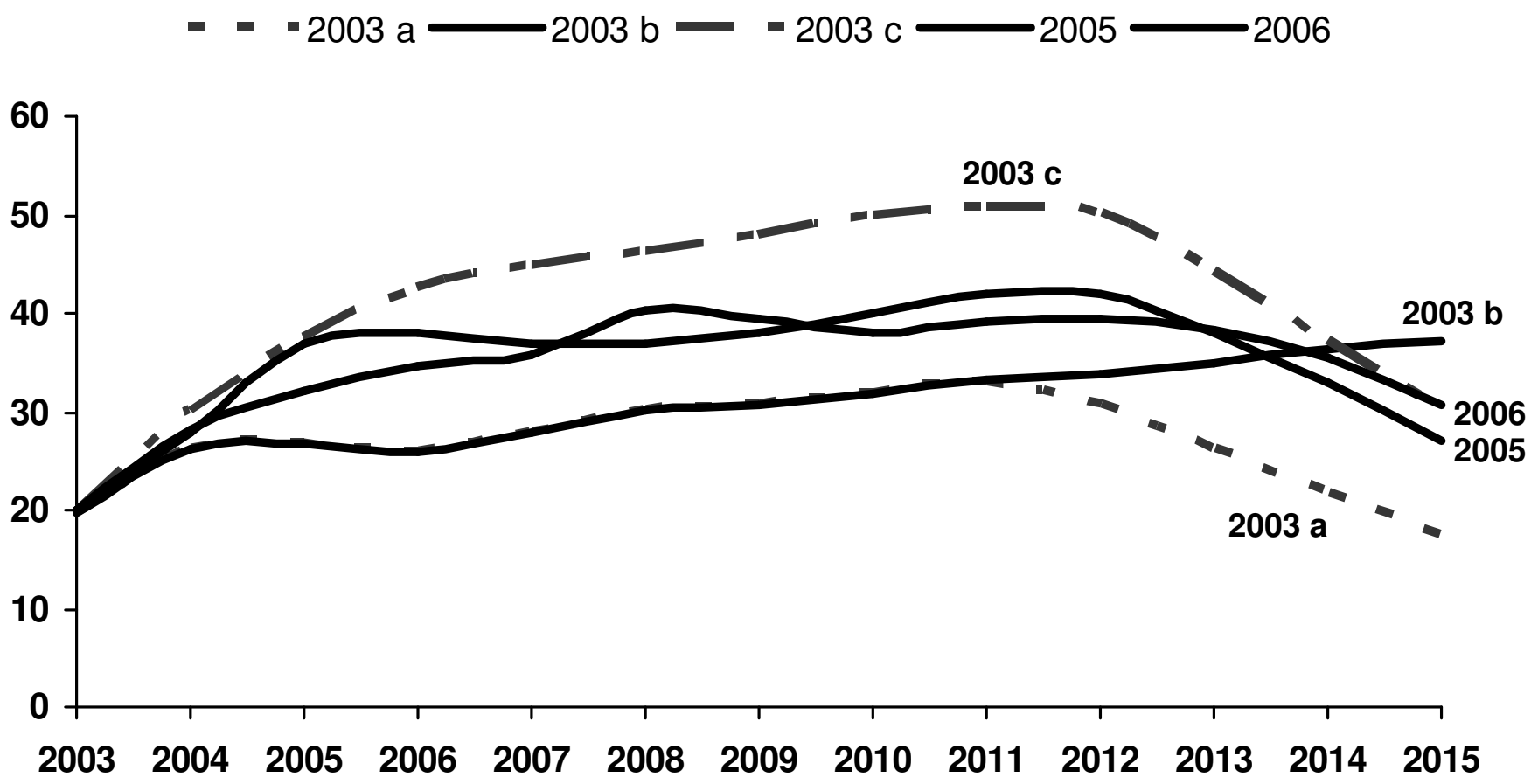
SACROC Oil Production Historical Forecasts



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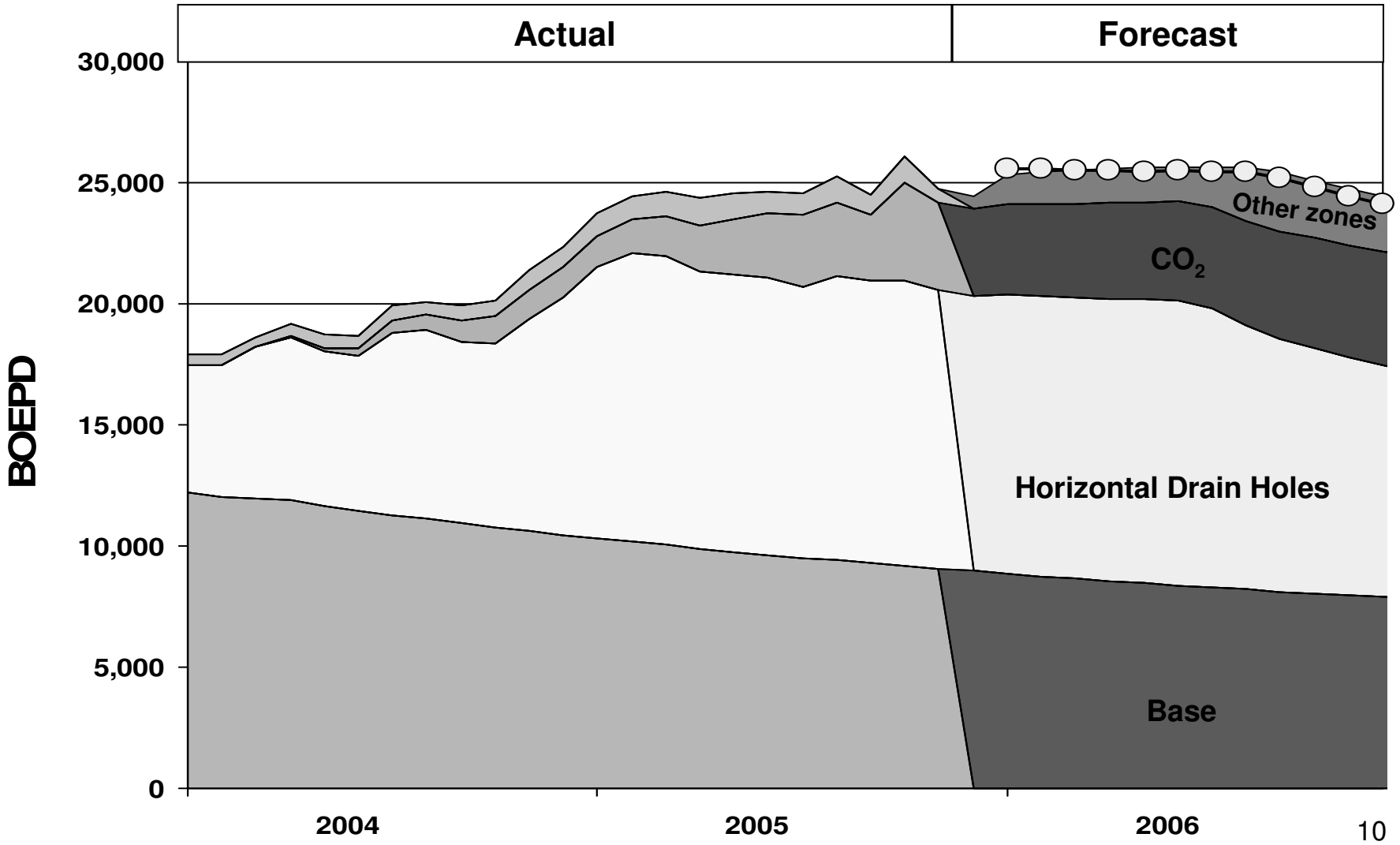
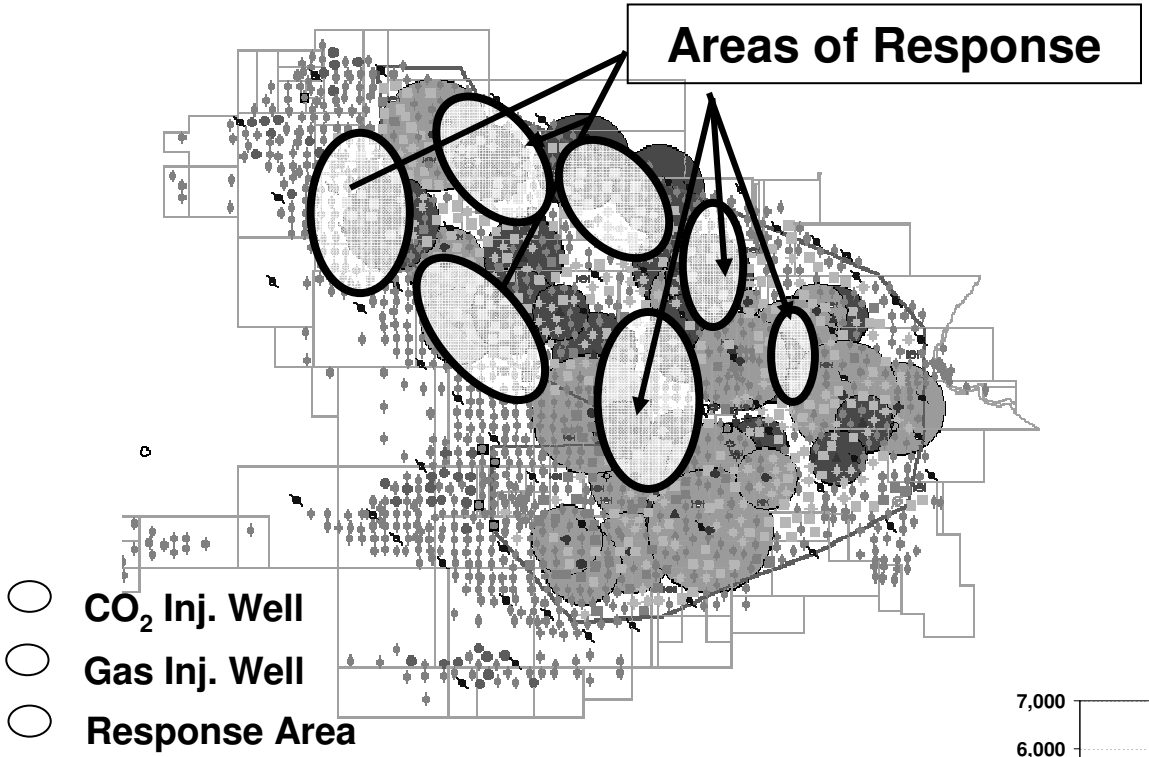
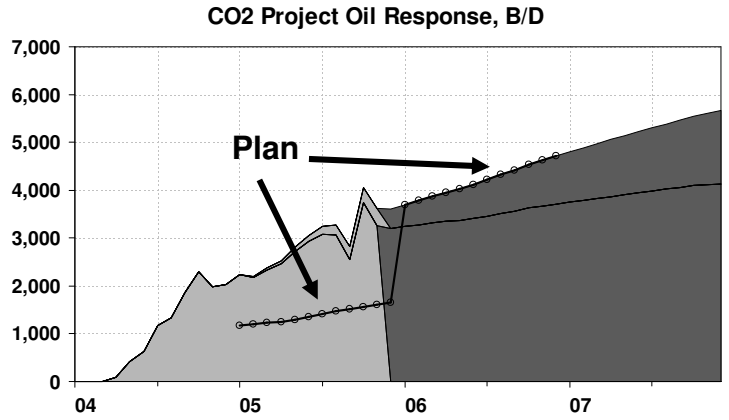
Yates Field - 2006 Production Forecast



Yates Field – CO_2 Injection Results



- CO_2 Injection started March 2004
- Incremental CO_2 Injection (N_2 Venting) began March 2005
- Responding Well Count Continues to Increase
- Oil Rate Increase Appears Sustainable and Growing at Good Pace



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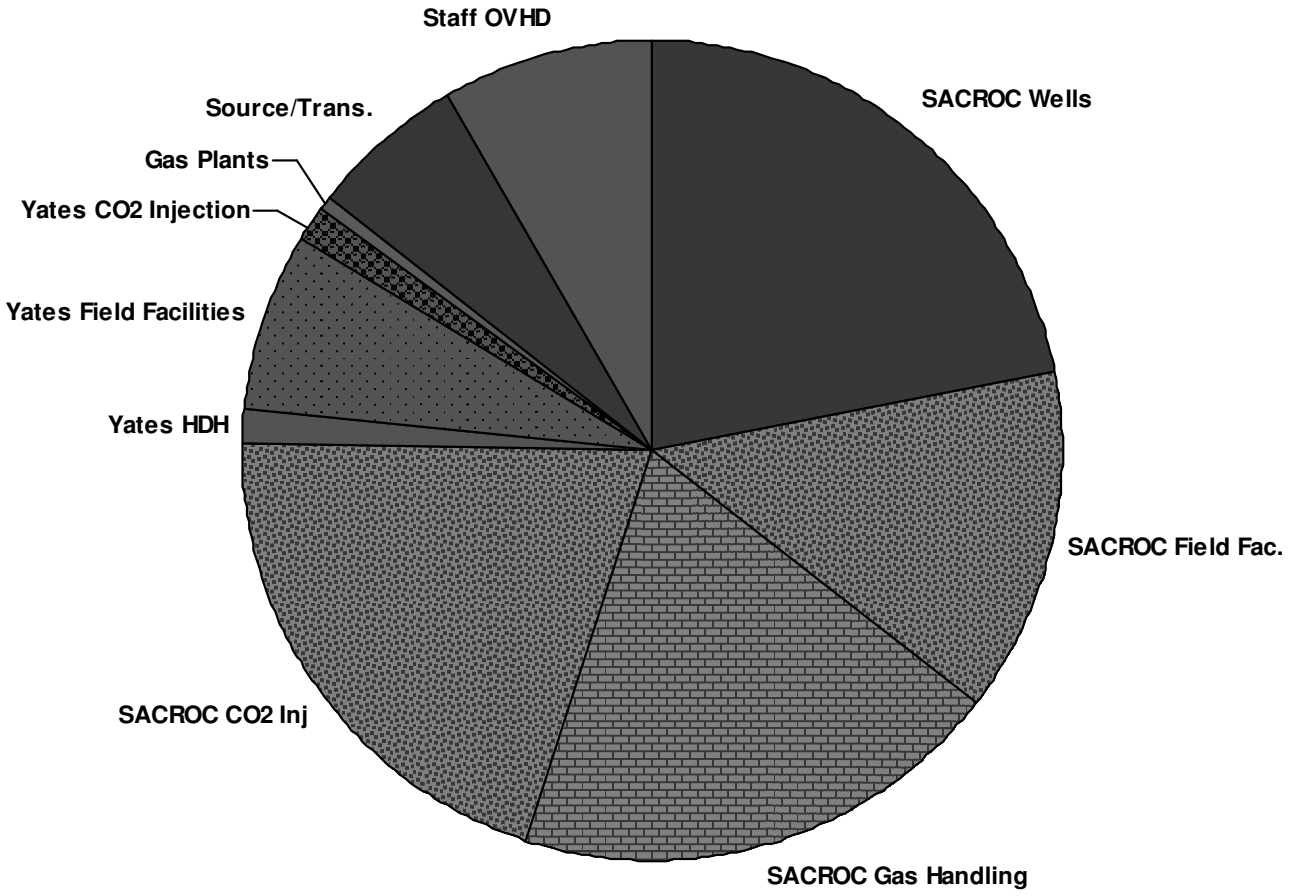
2006 Expansion Capital Budget - $357 Million



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SACROC Plus Yates Long-term Potential

Current Status

SACROC Producing ~32,000 BOPD

Yates Producing ~24,500 BOPD

Development Plans 2006-2015

1. **SACROC Full Field, Most Likely Development**

- 160 MMBOE Gross*, 880 MM$

Gross capital required includes 301 MM$ cap. CO_2 @ $40/b

2. **Yates CO2 injection**

- 85 MMBOE Gross, 222 MM$ Gross Capex

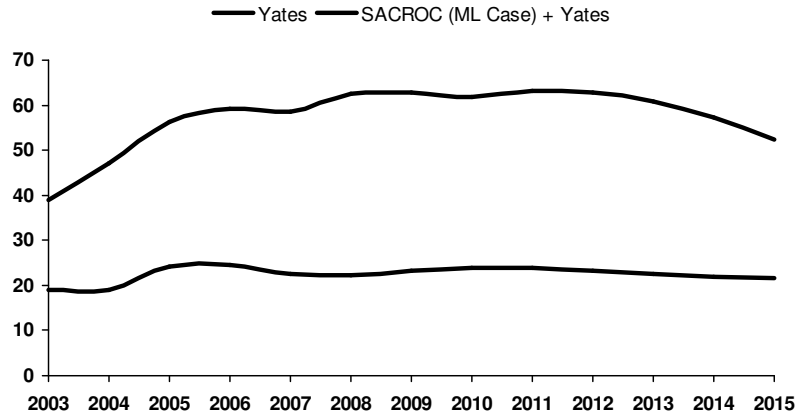
Gross capital required includes 98 MM$ cap. CO_2 @ $40/b

Further work:

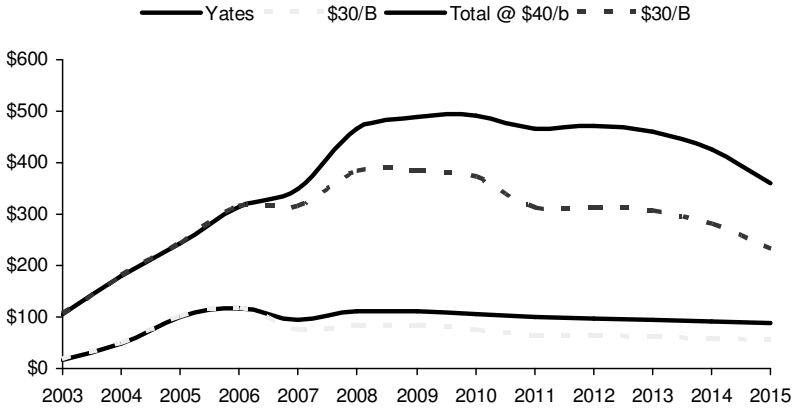
SACROC: Reservoir Modeling of Platform, Surveillance of Recent Bullseye and Center Ring projects, Field Test Alternate Development Strategies

Yates: Monitor performance of HDH program; Enhance gas processing infrastructure

Oil Production, B/D

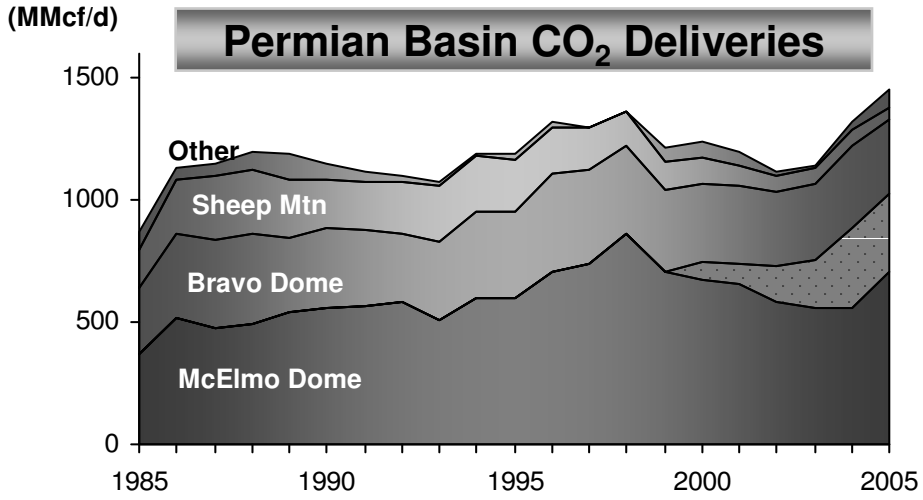


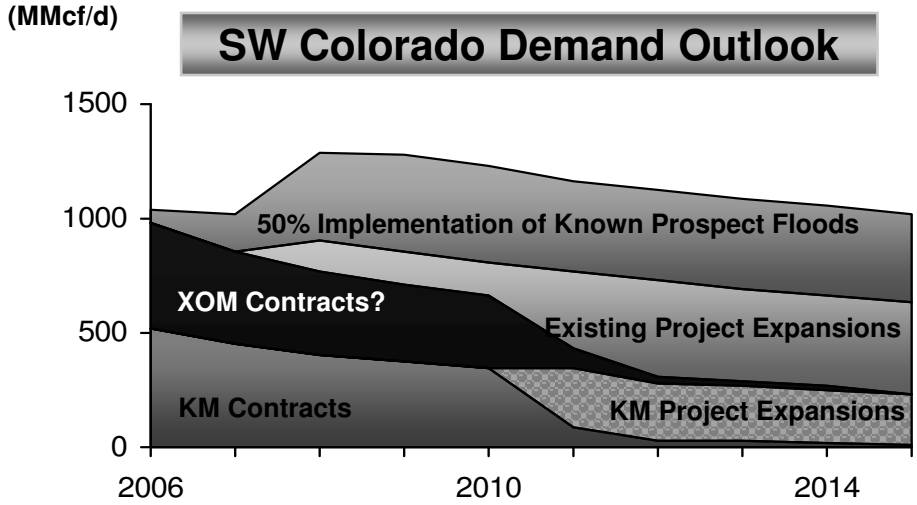
DCF, MM$/Yr



Unhedged WTI oil price - $30 and $40/b

CO_2 Source and Transportation Expansion Opportunities





Sources: KM estimates, Oil and Gas Journal, EIA

Potential SW Colorado CO_2 Expansion:

- 2005 was record year, supplies pro-rated on occasion
- Permian Basin Demand expected to continue to increase given existing project expansions plus known new project demand
- Anticipate SW Colorado Source to be most cost competitive and first to develop
- 100 MMcfd expansion would require a KM investment of $18 to $45 MM for field and Cortez expansions.
- 200 MMcfd expansion would require a KM investment of $36 to $87MM for field and Cortez expansions.

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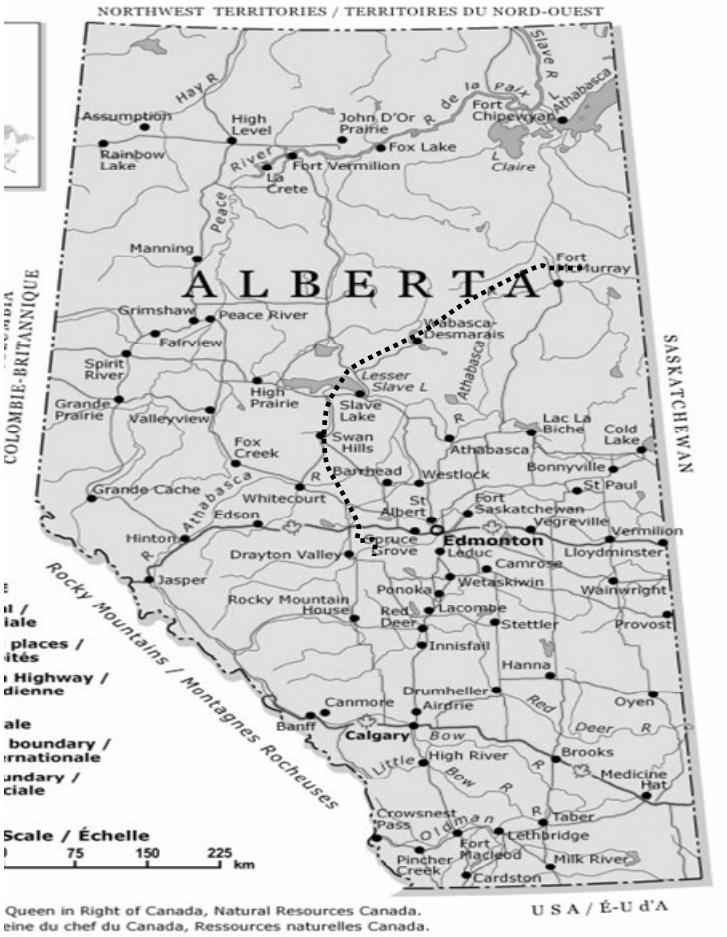
CO_2 EOR and Sequestration in Alberta



Setting:

Multiphase pipeline development based on sound commercial EOR supply/ demand.

Expansions to accommodate Federal / Provincial policy and GHG Mitigation needs.

Scope:

EOR potential 30-50% of Permian Basin – 500+ MMCF/d

Sequestration could be as much 2-3 times larger

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2005 Achievements, 2006 Goals

2005

Delivered plan

- CO_2 Volumes up, SACROC Oil and NGL production lower, but Yates up significantly
- Price helped

Continued aggressive development plans

- SACROC project is large and complex, slowed gas processing capacity expansion pending greater confidence in long term gas production forecast
- Yates – CO_2 injection response and HDH programs performing well

Closed Claytonville Acquisition

2006

SACROC Development program – Stay the course

Continue HDH Program at Yates, initiate gas processing enhancements

Firm expansion plans for SW Colorado CO_2 Supply

Explore Canadian CO_2 supply opportunities


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