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CO_2

Tim Bradley

President CO_2 Group

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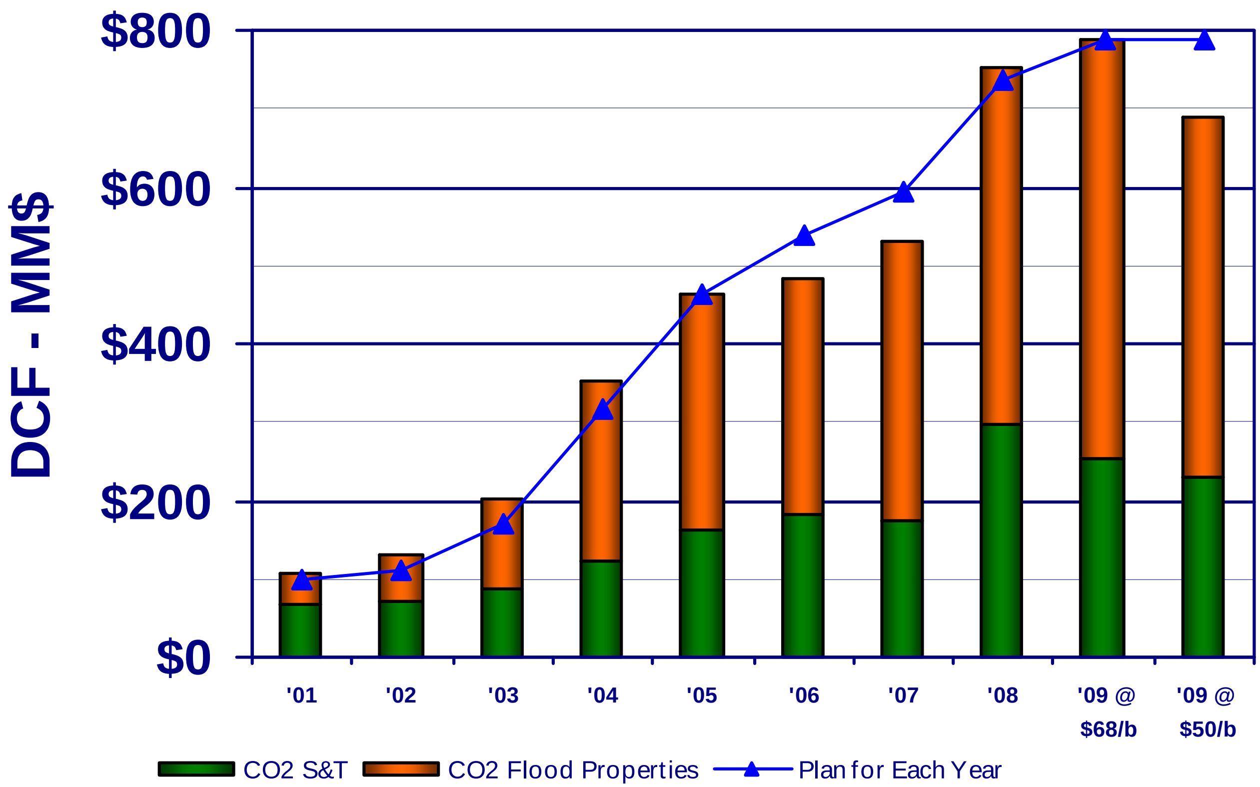
Distributable Cash Track Record

CO_2 Sales and Transportation - historical growth

CO_2 Flood Development - 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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2008 Performance Recap

Overall, slightly ahead despite huge price swings and Hurricane Ike

CO_2 Source and Transportation — Outperformed

- $298 MM vs $233 MM

Yates — Outperformed

- $252 MM vs $238 MM
- 27,631 B/d vs 27,500 B/d

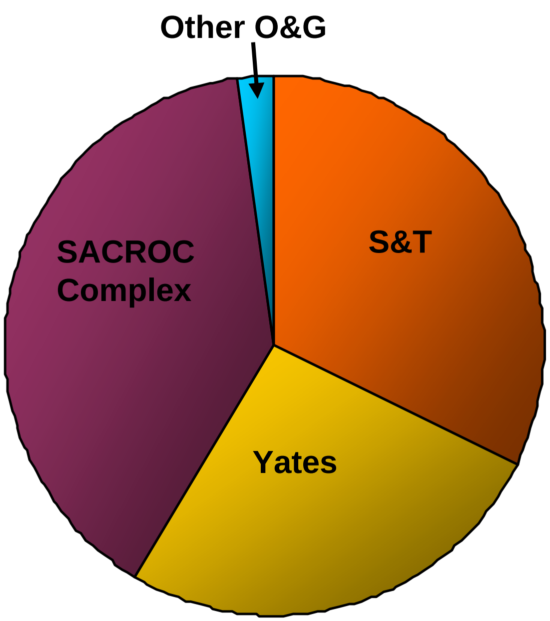
SACROC* — Underperformed

- $203 MM vs $265 MM
- Oil: 27,995 B/d vs 27,677 B/d
- NGLs: 13,330 B/d vs 16,552 B/d
- Future growth in cash flow even with flat production

Note: Distributable Cash Flow
*Including SACROC Services and remaining oil and gas assets

Response to current oil price environment
Focus on costs

2009 DCF by Asset Group



Yates and S&T have low cost structures

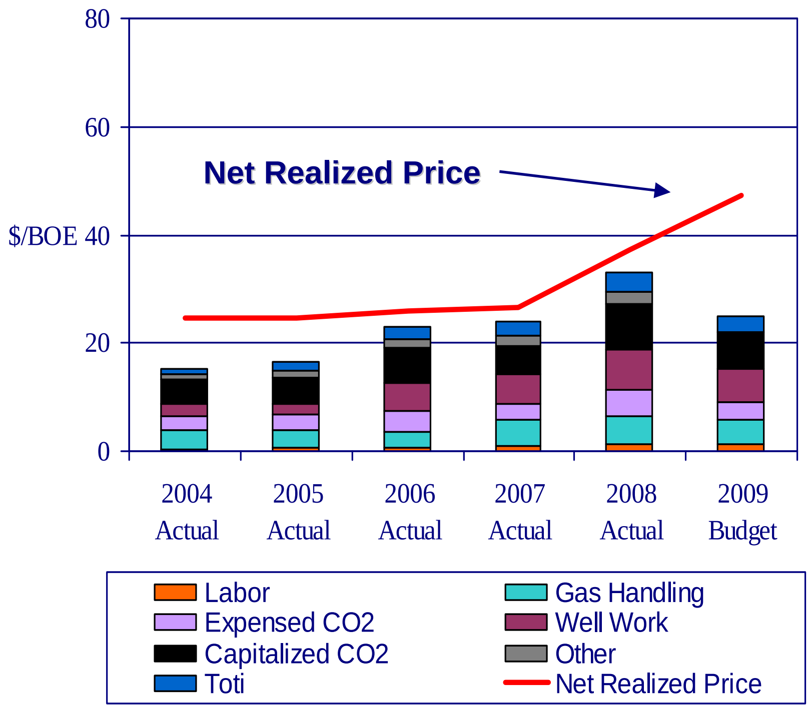
- Opex per unit ~25% of unit revenue at current prices
- Modest Capex needs, and very profitable at current prices

SACROC Complex

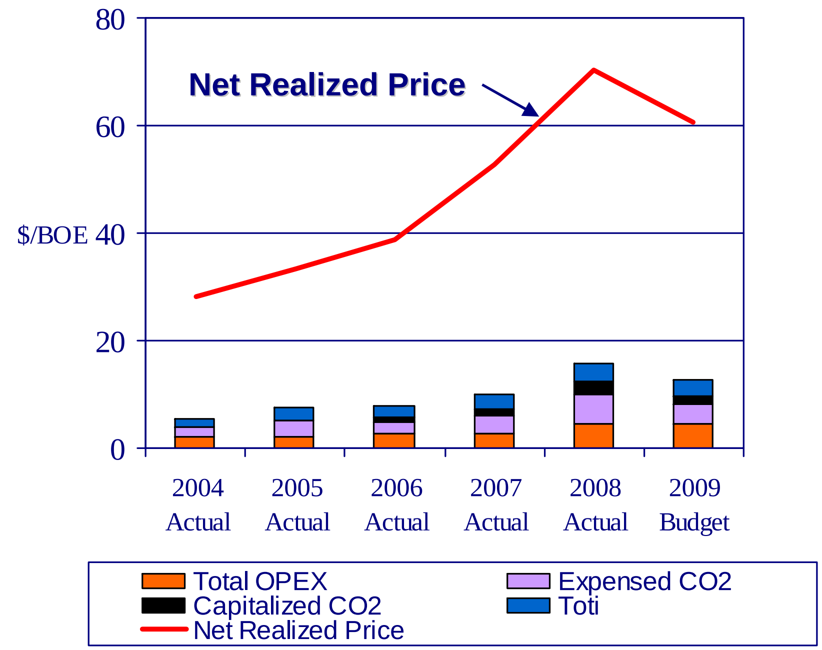
- Higher opex per barrel
- Investments profitable at current prices
- Significant Cost Reduction opportunities targeted in both capex and opex

Oil and Gas Margins Remain Strong
Net of Hedged Prices

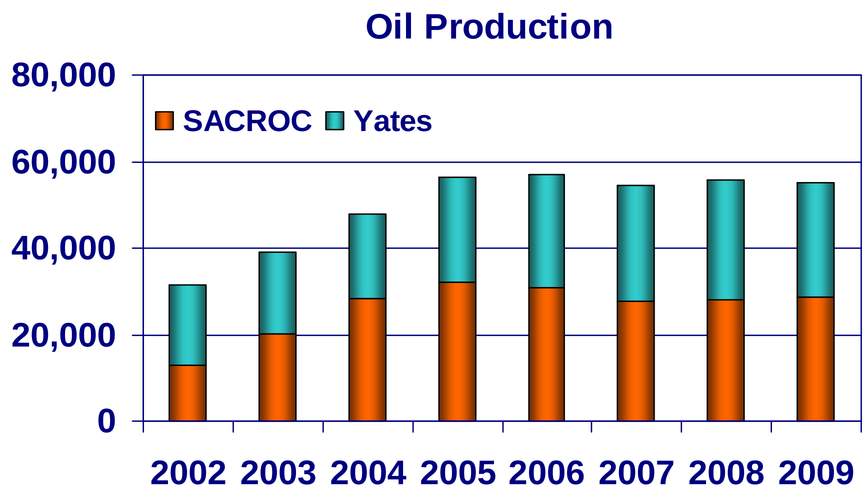
SACROC Cost Structure

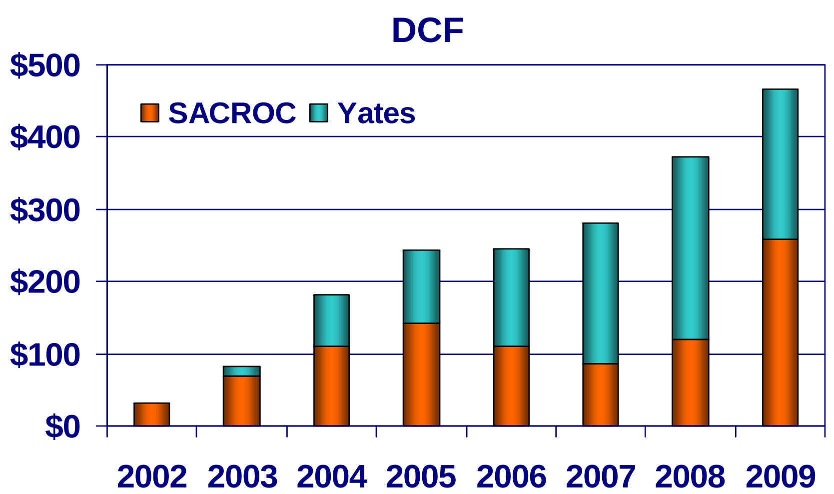


Yates Cost Structure



SACROC and Yates Oil Production DCF





Historical Summary

Significant Development Events

SACROC:

Acquisition	June 2000
CLPL	May 2003
BE, CR, SWCL, Platform	2003-present

Yates:

Acquisition	Jan 01, Nov '03
Horizontal Drilling	2002 – Present
CO_2 Injection	March 2004

2009 Production

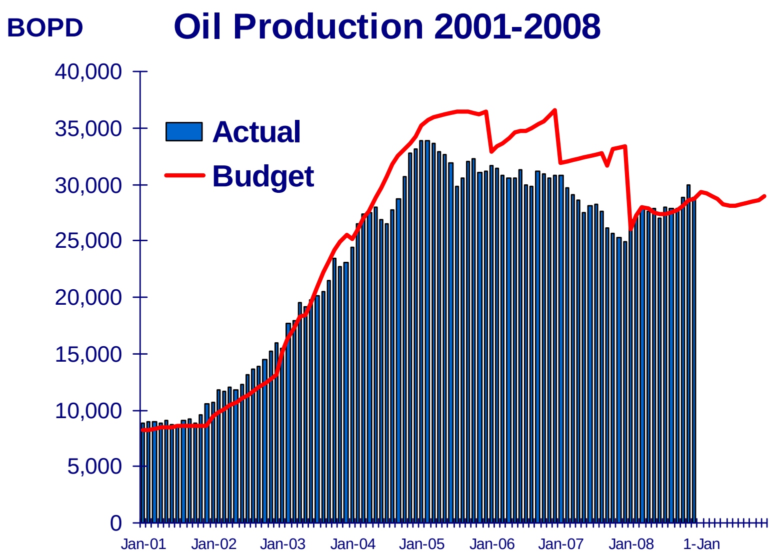
SACROC oil	28,581 B/d
SGP NGLs	16,868 B/d
Yates	26,500 B/d

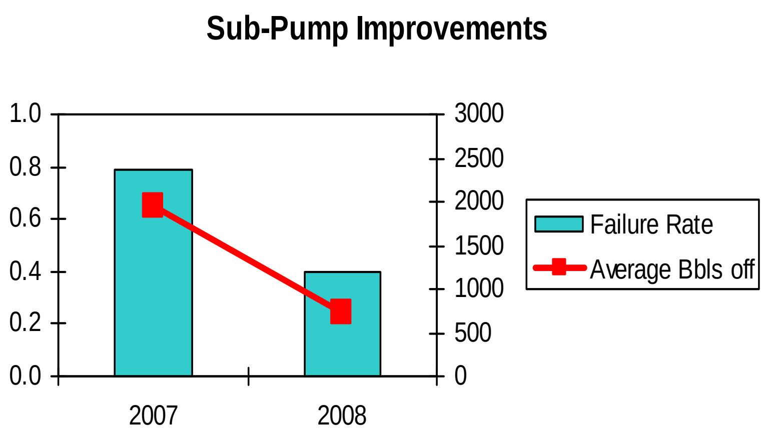
2009 DCF

SACROC Unit only	$258 MM
Yates	$209 MM

Note: Yates DCF does not include contribution from MKM

SACROC Production and Operations Highlights





2007 – Review

Challenge 1: Reservoir responding differently

Lower recoveries and injectivities in post Center-Line Projects
Development pace slowed to evaluate

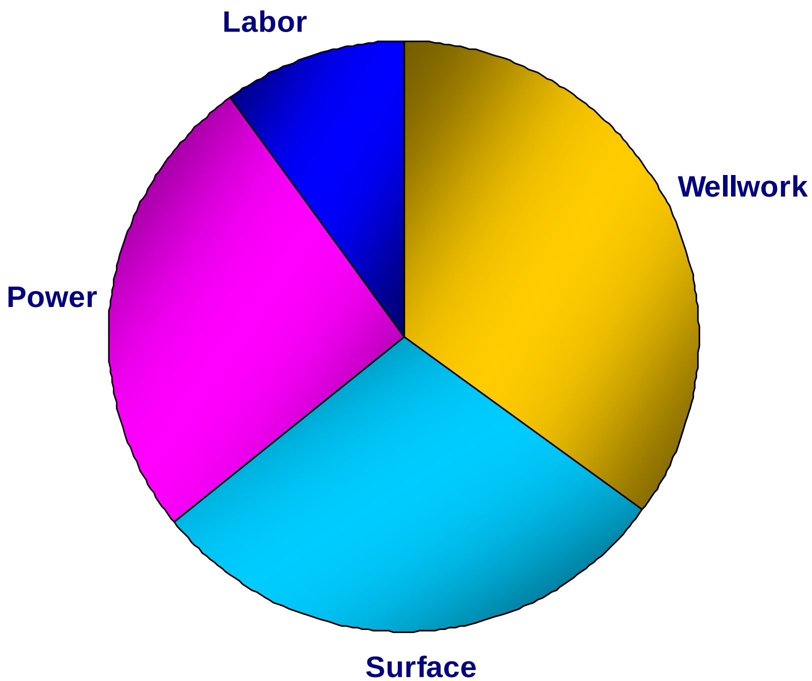
Challenge 2: Submersible pump failures

Failure rates improved, but still worse than expected

2008 Progress

Well failure mechanisms studied, changed pump vendor, results significantly improved
Oil production from Gel-Polymer conformance work has yet to peak, promising yet early
Oil Production rebounded, ~1% above plan

2009 SACROC Opex Budget - $176 Million*



Well work (35%)

38% of wellwork under sub-pump contract

Other reductions achieved to date

•Rig	10%
•Wireline	25%
•Slickline	10%
•Frac tanks	25%
•Coiled Tubing	25%

Surface Expense (29%)

43% of Surface under CO_2 Removal Contract

Reductions achieved to date

•Roustabout Crews	15%
•Lube oil/Fuel	15%
•Trucking	15%

Power (26%)

Based on average gas price of $6.53

Current forward curve results in ~10% reduction

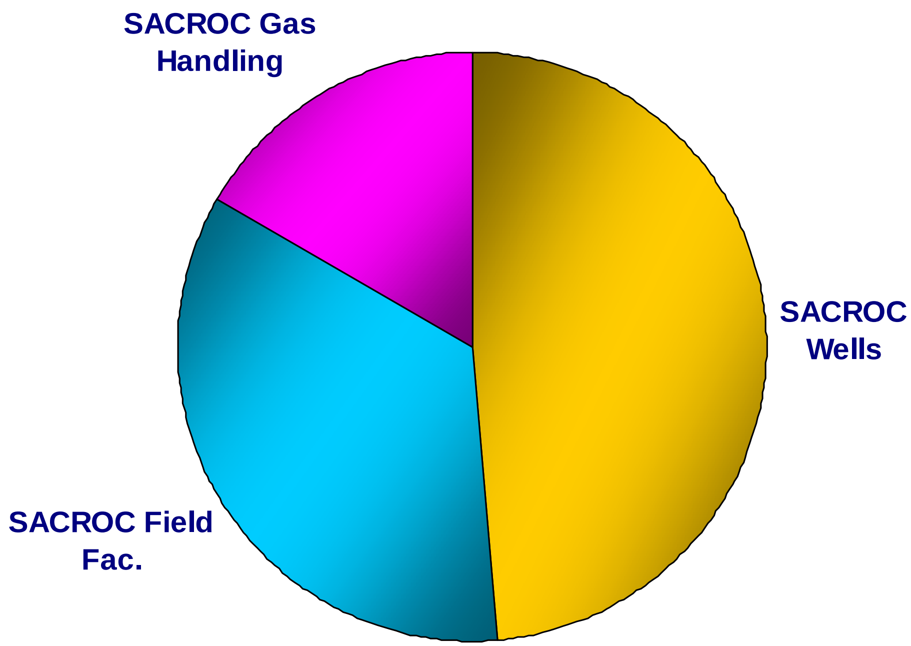
Labor (10%)

No current plan to reduce staff

Overtime reductions of 30% vs 2008

*Excludes items tied to crude price:
Expensed CO_2 $51 MM, TOTI $43 MM

2009 SACROC Expansion Capital Budget - $246 Million



Well work (49%)

10-40% reductions achieved to date

- Rig 10%
- Casing 12%
- Cement 29%
- Directional Drilling 25%
- Logging 43%
- Wellhead 33%

Field Facilities (35%)

Recent projects 21% below AFE

- Crew Costs 10-14%
- Reuse of existing facilities
- Less rock, simpler construction

Gas Processing (16%)

Expect slower reductions for engineered equipment, but lower installation costs

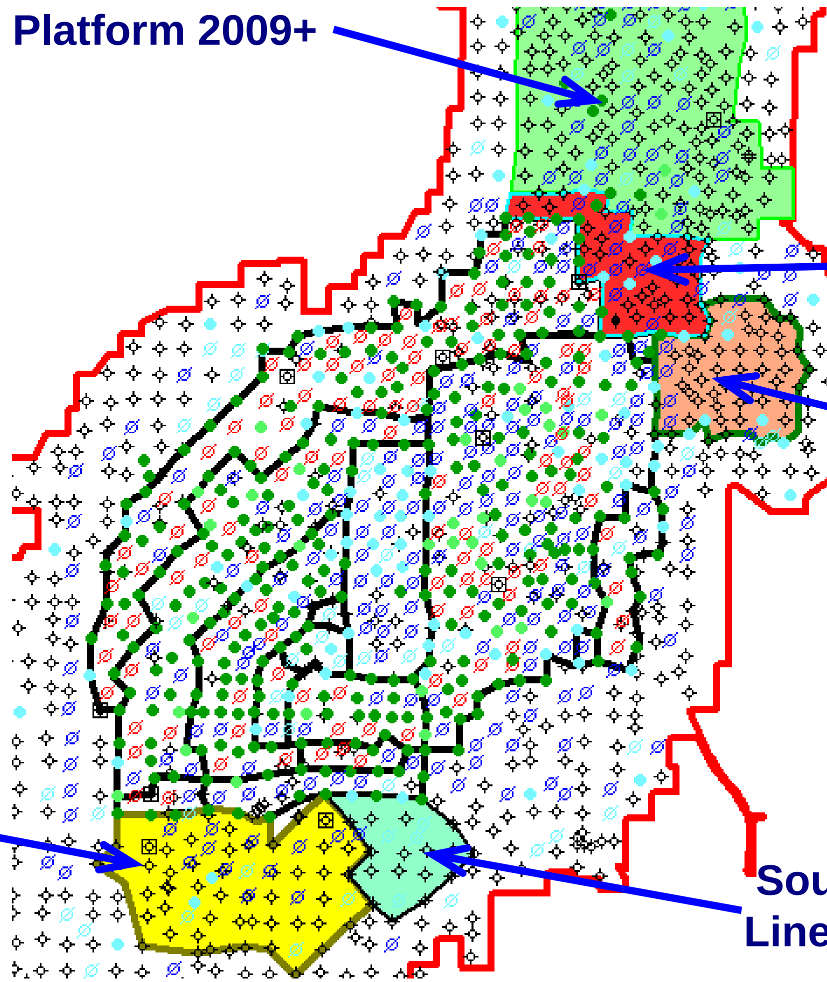
Excludes Capitalized CO_2 $101 MM

SACROC Expansion Projects

Platform 2009+

South Platform 2008

Gilligan's Island 2008



Southwest Center Line 2007

Southwest Center Line (Stage 3) 2008

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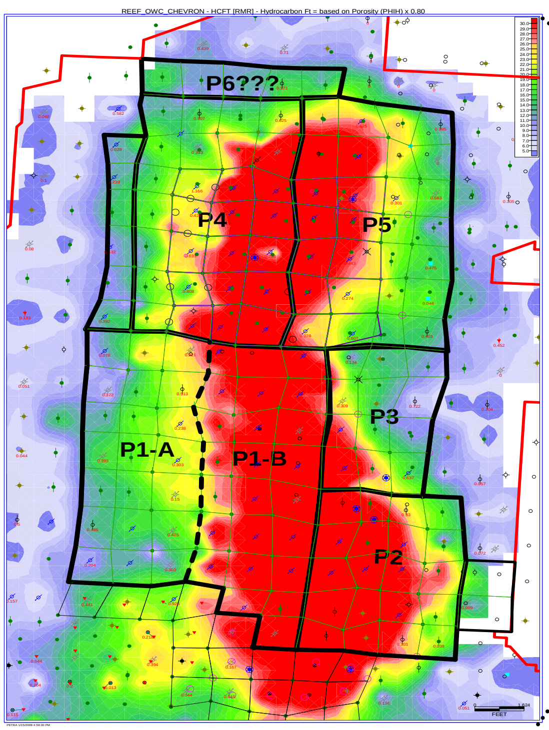
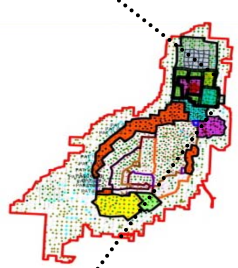
SACROC Development: Response to changing oil price
Focus on costs





Different strategies are being developed depending on both oil price levels and achieved cost reductions

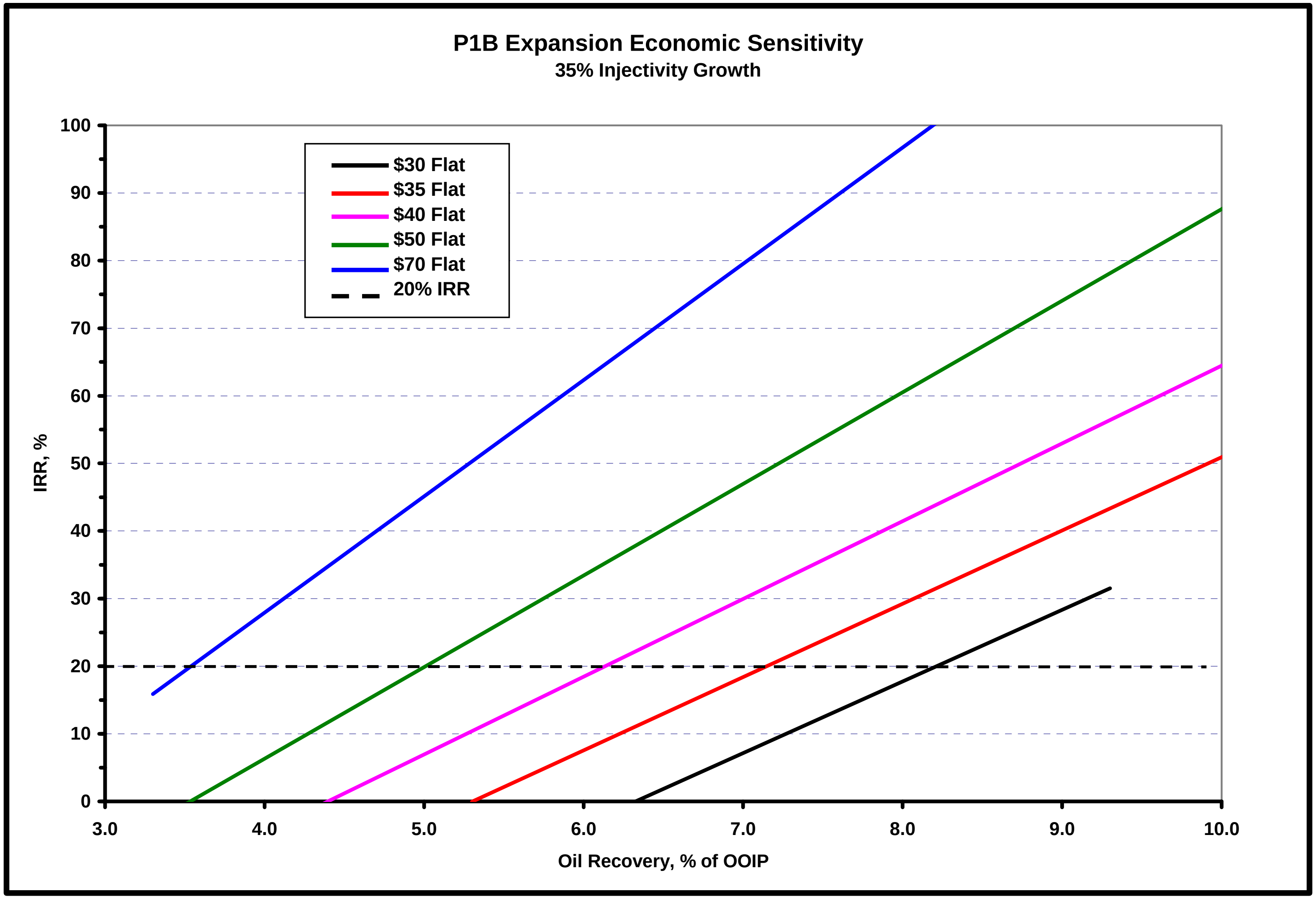
- **Planned developments are profitable at $40/b**
- **More resilient plans are being developed given recent excursions to low $30's per barrel**

"Plan B" still on paper, but involves accelerating higher oil in place patterns

- **Cost less per barrel; lower capex**
- **Slower investment pace required to maintain same production**
- **Slower pace provides time for cost reductions to become realized**
- **We can pick up the pace when the facts are better**

New Project Economics –Platform 1B

New Projects remain economic at lower recoveries and lower oil prices



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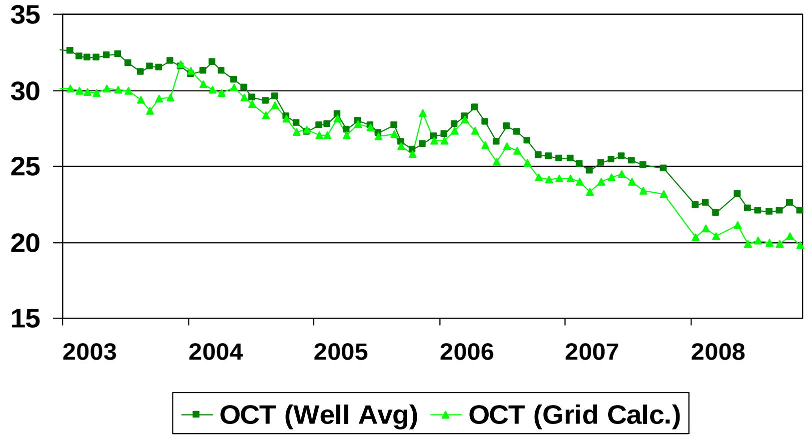
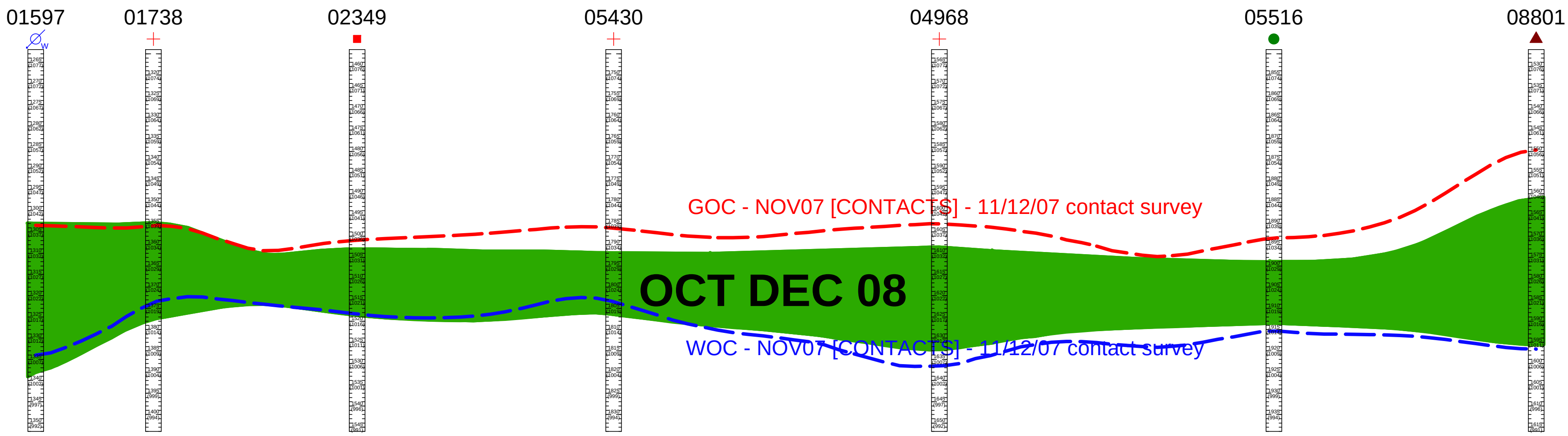
Yates Oil Column – Assessment



- Oil column has thinned relative to 2007, but remains stable
  - Expect slightly lower oil production in 2009
- Continue Horizontal drilling program to capture draining oil
- Oil production responds when CO_2 injection is redistributed throughout field



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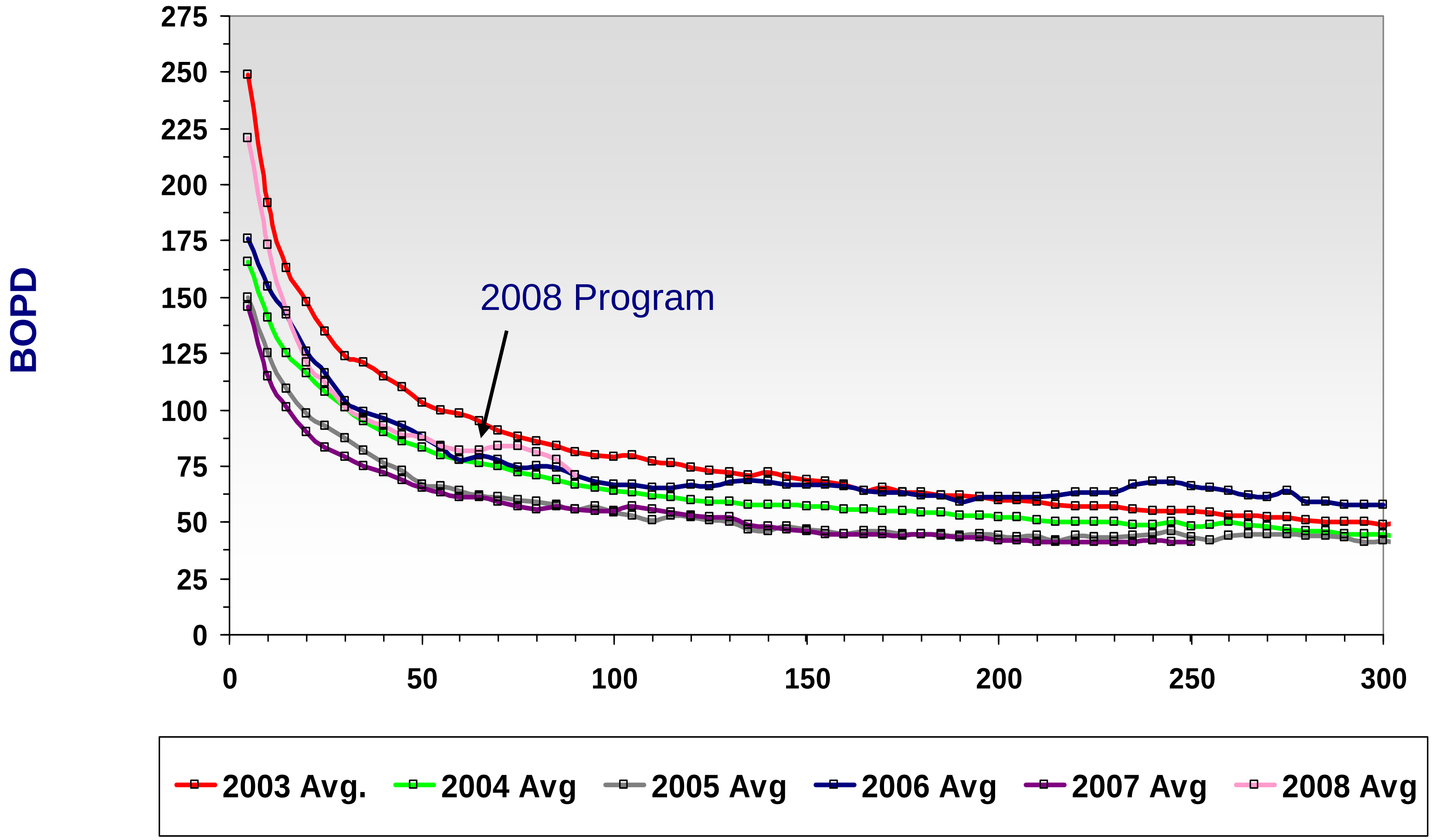
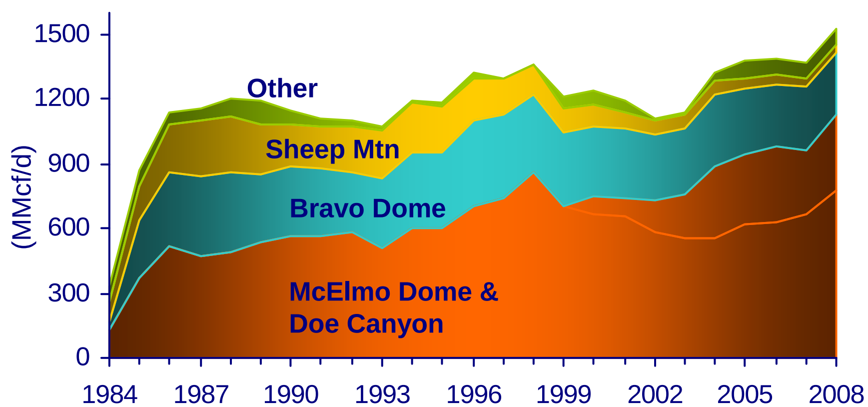
Yates HDH Production Performance
Continued Good Results

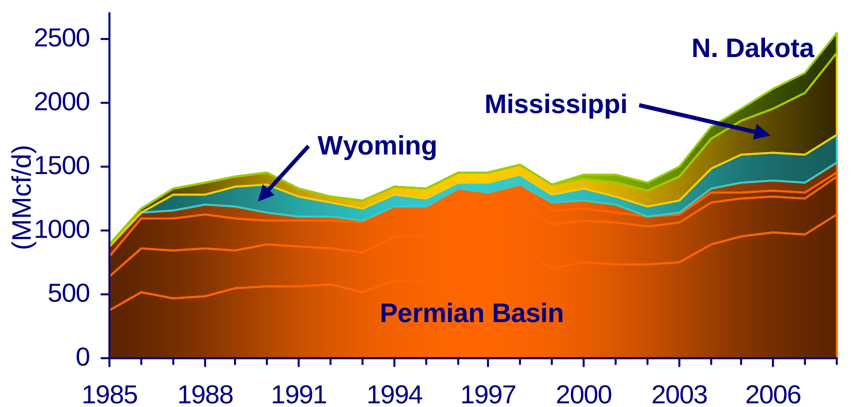


CO_2 Source and Transportation
Growing Business Opportunities

Permian Basin CO_2 Deliveries



Permian Basin CO_2 Deliveries



Permian Basin

- **Supplies pro-rated on occasion**
- **Permian Basin Demand expected to continue to remain stable or grow given existing project expansions plus known new project demand**

Domestic EOR

- **Industry CO_2 EOR activity is increasing**
- **Naturally occurring sources are being expanded to ultimate capacity**
- **Additional supplies exist:**
  - Gasification, Ethylene, Ethylene Oxide, Steam-Methane Reformer, Ammonia & Ethanol facilities
- **Several regions have potential intersection between supply and demand including:**
- **Gulf Coast, California, Mid-continent, Canada**

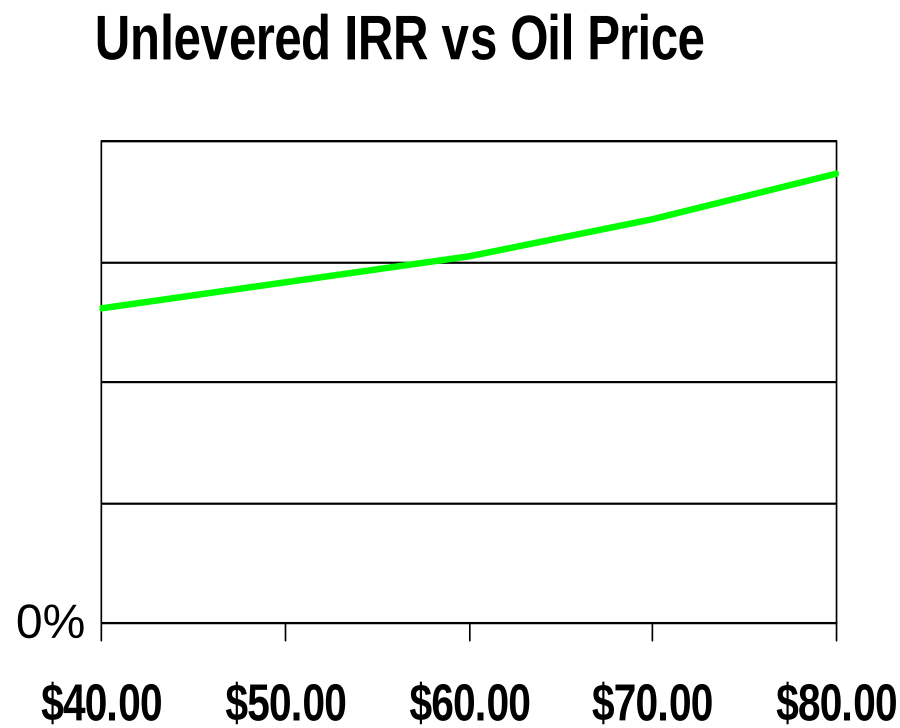
Sources: KM estimates, Oil and Gas Journal, EIA, XOM, Dakota Gasification, DRI

Southwest Colorado Expansion
+ 300 MMCFD

Increased Capacities

McElmo Dome	200 MMCF/d
Doe Canyon	100 MMCF/d
Cortez PL	200 MMCF/d
KM Net Investment	$171 MM

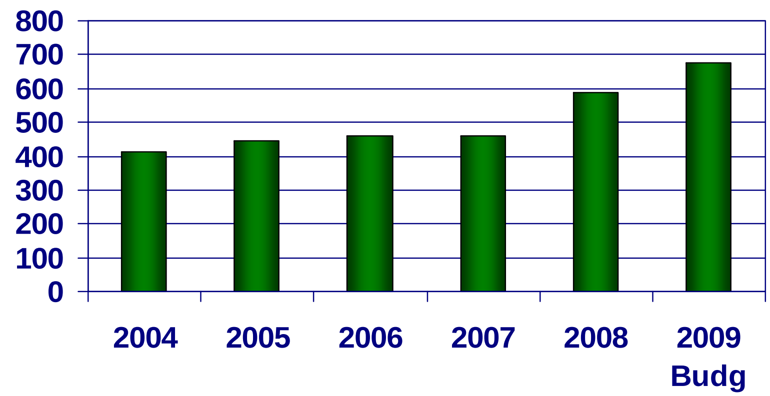
Current Deliveries 1.3 BCF/d



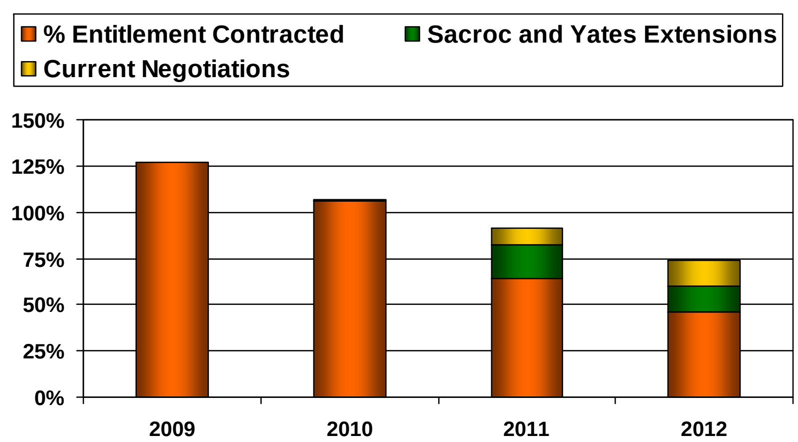
Note: Profitability based on Source Field,
PL profitability incorporated into tariff

CO_2 Delivered Volumes

KM Share MMCFD



% KM Share Under Contract



Significant growth over past 5 years

CAGR:

Volumes + 11%, Price + 18%

2009 vs 2008

Volumes + 15%, Price - 29%

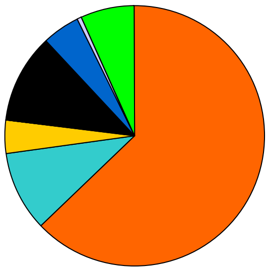
Take Or Pay % increasing.

2008 signed contracts averaged 86%.

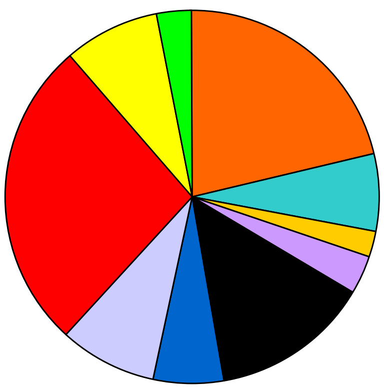
2009 and 2010 Include interruptible, as-available commitments

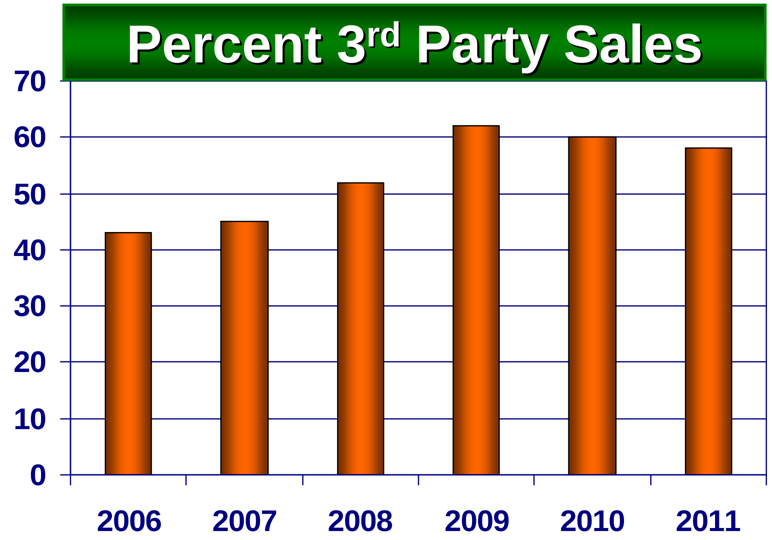
3rd Party Sales Portfolio
Growth in Sales and Greater Diversity

2006 Actual Deliveries
219 MMCF/D



2008 Actual Deliveries
332 MMCF/D





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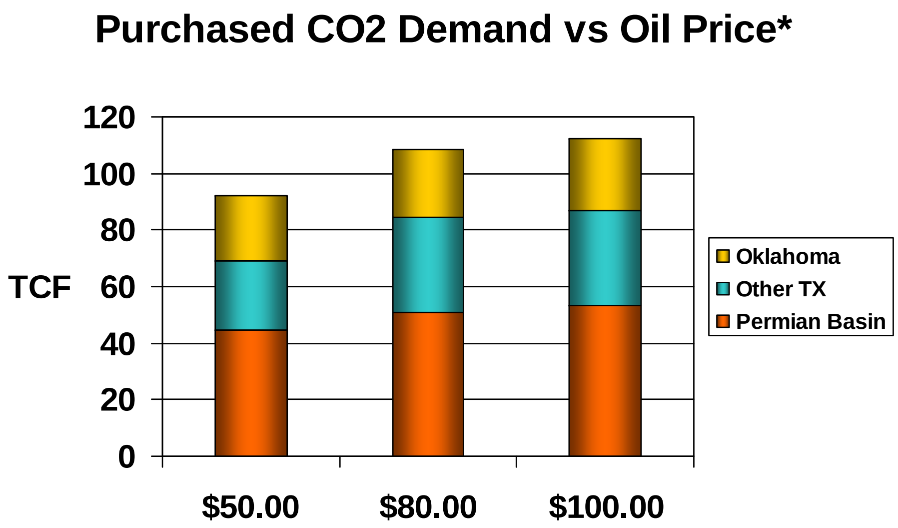
Strong Long Term Demand for CO_2



Potential Sources Serving The Region*

Natural:

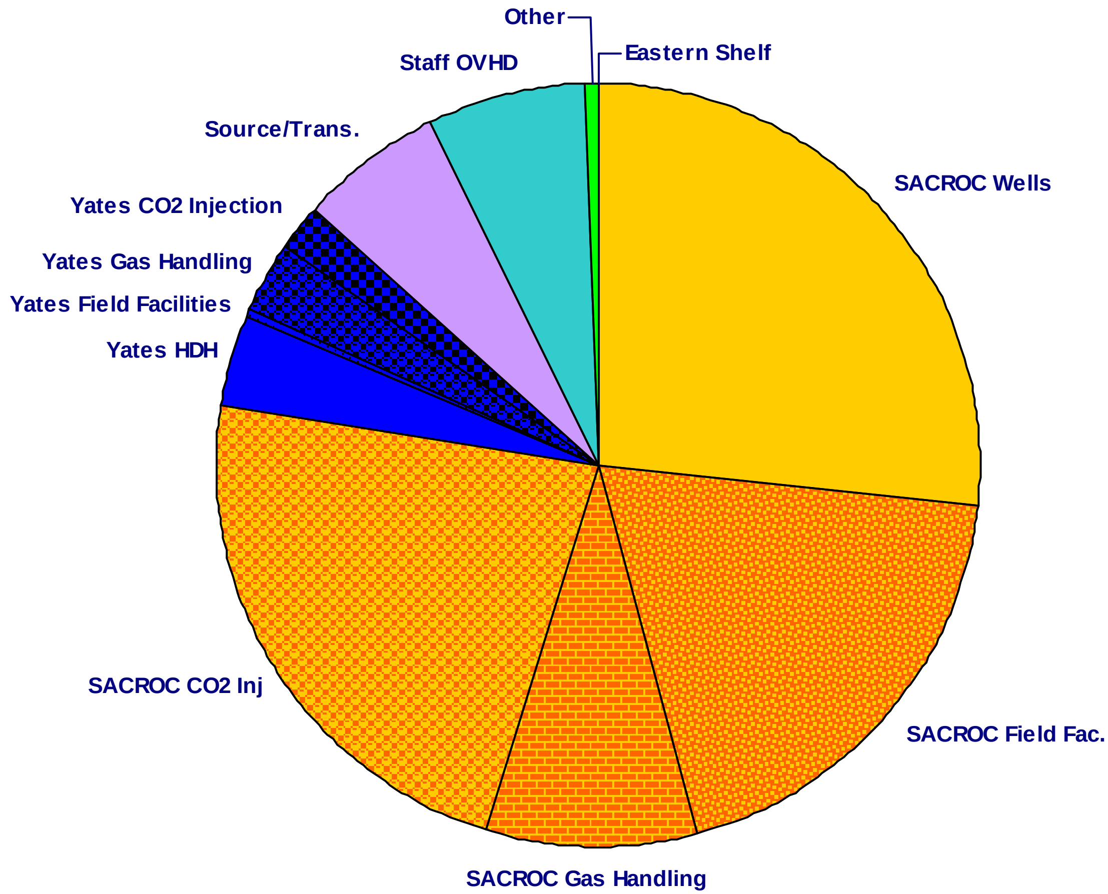
- 37.3 TCF R/P~30 years
- Various stages of development

Industrial:

- High Purity: 38.7 TCF
- Low Concentration: 127.9 TCF
- 20 year life
- Typically much higher cost structure than natural sources

* Advance Resources International Study, 2008

2009 Expansion Capital Budget - $449 Million



Note: Cost Metrics based on 2008 run rates

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Impact of Oil Price/Volume Variance on 2009 DCF

2009 Budget:	**790 MM$**
+/- 1000 BOPD	
SACROC	**27.5 MM$**
Yates	**14.3 MM$**
+/- 1 $/B WTI	**5.9 MM$**
3rd Party CO_2 Deliveries	
+/- 50 MMCF/D	**8MM$**

Note: Unhedged WTI price presumed to average $68.00/b, WTI-WTS spread = $4.38.

KM CO_2 Long-term Potential

Development Plans 2009-2018

Current plan, likely to change as price/cost trends become more stable

1. **SACROC Base Case Forecast**

   104 MMBOE Gross (a), 1.3 B$
   Capital required includes 347 MM$ cap. CO_2
   Includes Eastern Shelf Development

2. **Yates Sum of the Parts Forecast**

   78 MMBOE Gross (a), 254 MM$ Gross Capex
   Gross capital required includes 180 MM$ cap. CO_2

3. **CO_2 S&T**

   $72 MM Gross Capex, 1.35 BCF/d capacity
   Includes Eastern Shelf CO_2 Pipeline

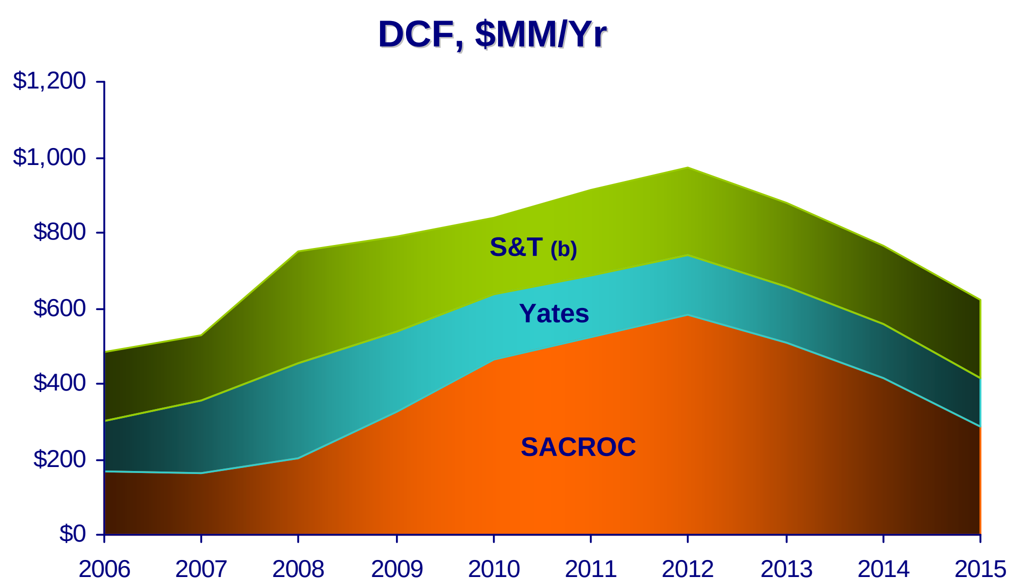
Further work:

SACROC: Improve conformance in older portions of field, complete assessment of Plan B development plan, initiate selective completion strategies in new patterns, expand SACROC Services gas processing business

Yates: Monitor performance of HDH program; Pursue secondary targets; evaluate west side for CO_2 development

Eastern Shelf: Complete studies, finalize development plans, start construction

Be poised to prosecute CCS opportunities



2009 = Budget, 2010 at $60/b, 2011+ at $68/b
Cost Metrics based on 2008 run rate

(a) Gross Beq = SACROC: Gross Crude plus Wet Hydrocarbon Gas divided by 6; Yates: Gross Crude and NGLs plus Residue Gas divided by 6
(b) CO_2 profits not eliminated from S&T

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And Down the Road…

SACROC and Yates have and will continue to provide oil production opportunities:

- **Big Fields get Bigger…**
  - Better conformance at SACROC is a big opportunity
    - Using latest technology to find residual oil and better target CO_2 injection
  - Yates expansion pilot

Stick to our knitting, focusing on maintaining reliable production

- **KM CO_2 kept its powder dry during the 2008 seller's market**
  - Avoided the market froth; Permian acquisitions were at very high prices
- **KM CO_2 may *again* have the opportunity to further capitalize on our large, low-cost CO_2 supply in a CO_2-short marketplace**

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