KINDER MORGAN

CO₂
Tim Bradley – President
CO₂ 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 CO₂ 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 CO₂ 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 CO₂ acquisition opportunities and EOR customers in existing and new markets
Distributable Cash Track Record

CO₂ Sales and Transportation - steady historical growth
CO₂ Flood Development Opportunities - growing faster

Note: CO₂ Sales and Transportation includes YOGS, CO₂ Sales profit on own use has not been eliminated.
2005 High Level Results

Overall, results in line with budget:

**CO₂ Source and Transportation**
- Outperformed
- $161 \text{ MM} \text{ vs} \text{ $117 \text{ MM}}$

**Yates**
- Outperformed
- $100.5 \text{ MM} \text{ vs} \text{ $52.0 \text{ MM}}$
- $24,200 \text{ B/d} \text{ vs} \text{ 19,100 \text{ B/d}}$

**SACROC***
- Underperformed
- $203.5 \text{ MM} \text{ vs} \text{ $295 \text{ MM}}$
- $32,200 \text{ B/d} \text{ vs} \text{ 36,500 \text{ B/d}}$
- Still significant growth

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Note: *Including SACROC Services and remaining oil and gas assets
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
  - CO₂ 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
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
SACROC Margins Net of Hedging Practices

Net Realized Price

$/BOE

2004 Actual 2005 Actual 2006 Budget

- Toti
- Other
- CO2 Capex Volume
- CO2 Capex Price
- CO2 Expense volume
- CO2 Expense Price
- Gas Handling Volume
- Gas Handling Price
- Labor
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.
SACROC Oil Production Historical Forecasts
Yates Field - 2006 Production Forecast

<table>
<thead>
<tr>
<th>Actual</th>
<th>Forecast</th>
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- **BOEPD**
- **2004**
- **2005**
- **2006**

- **Base**
- **Horizontal Drain Holes**
- **CO₂**
- **Other zones**

**Chart Description:**
- The chart illustrates the production forecast for the Yates Field in 2006, comparing actual and forecasted values.
- The chart segments show the contribution of different zones and drainage methods to the overall production.
- Key indicators include BOEPD (Barrel of Oil Equivalent Per Day) for the years 2004 to 2006.
Yates Field – CO₂ Injection Results

- CO₂ Injection started March 2004
- Incremental CO₂ Injection (N₂ Venting) began March 2005
- Responding Well Count Continues to Increase
- Oil Rate Increase Appears Sustainable and Growing at Good Pace

**Areas of Response**

- CO₂ Inj. Well
- Gas Inj. Well
- Response Area

**CO₂ Project Oil Response, B/D**

Plan

0 1,000 2,000 3,000 4,000 5,000 6,000 7,000

04 05 06 07
2006 Expansion Capital Budget - $357 Million
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
CO₂ Source and Transportation Expansion Opportunities

Potential SW Colorado CO₂ 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.

Sources: KM estimates, Oil and Gas Journal, EIA
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
2005 Achievements, 2006 Goals

2005

Delivered plan

- CO₂ 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 – CO₂ 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 CO₂ Supply

Explore Canadian CO₂ supply opportunities