

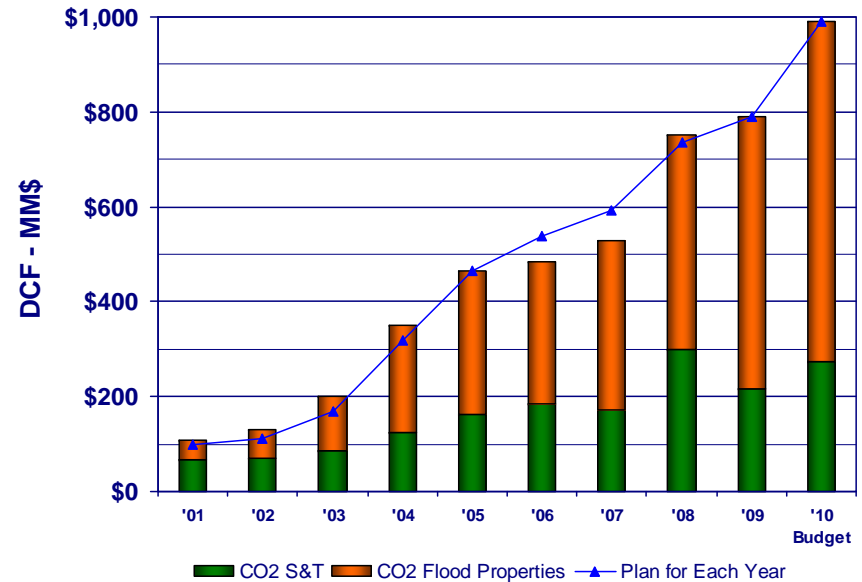
CO₂

Tim Bradley

President CO₂ Group

History of CO₂ Group and Looking Forward

- Shell CO₂ formed in 1998, KM share 20%
- Acquired remaining 80% in April 2000
- Acquired SACROC interests June 2000
- Acquired Yates interests in 2001 and 2003
- Ramped up developments at SACROC 2003+
 - Constructed Centerline PL in 2003
 - Constructed Power Plant 2005
 - Increased oil production 3X+
- Acquired Wink Pipeline in 2004
- Acquired Claytonville and Katz interests 2005-06
- Increased SW Colorado CO₂ Capacity 30% 2008
- Announced Katz CO₂ Project and ESPL 2009



Our footprint and technologies provide us with growth opportunities

- Continued developments at SACROC and Yates
- Katz field development and Eastern Shelf region opportunities
- Future Carbon management/sequestration opportunities

2009 Performance Recap – Made Plan

Despite extremely difficult conditions

2009 DCF of \$790.1MM vs. \$790MM Plan

CO₂ Source and Transportation

Underperformed

- \$218 MM vs. \$254 MM Plan
- Price hurt, volumes close

Yates

Outperformed

- \$212 MM vs. \$209 MM Plan
- 26,511 B/d vs. 26,500 B/d
- Cost improvements offset price hurt

SACROC*

Outperformed

- \$361 MM vs. \$327 MM Plan
- Oil: 30,149 B/d vs. 28,581 B/d
- NGLs: 15,326 B/d vs. 16,868 B/d
- Significant cost improvements

CAPEX

Outperformed

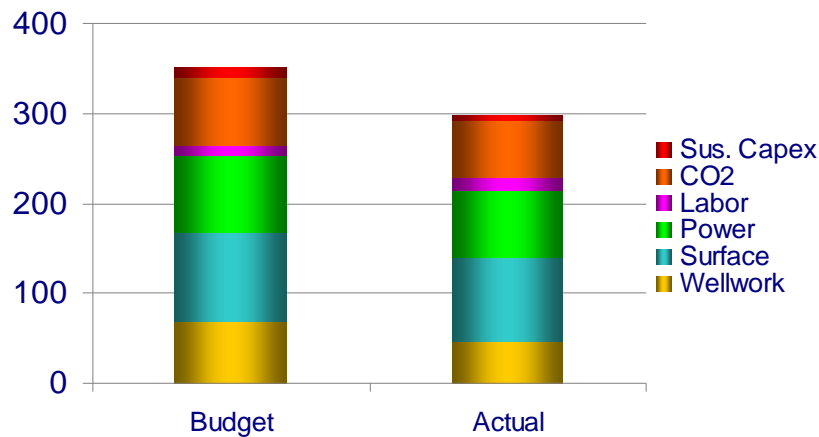
- \$329 MM actual vs. Plan \$449 MM

Note: Distributable Cash Flow

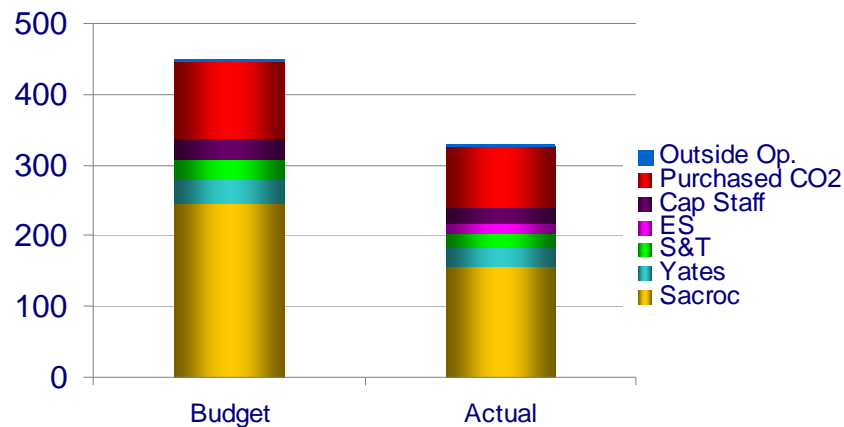
*Including SACROC Services and remaining oil and gas assets

2009 Cost Reduction Efforts

Opex, Sus. Capex Reductions, \$MM



Expansion Capex Reductions, \$MM



OPEX/Sustaining Capex

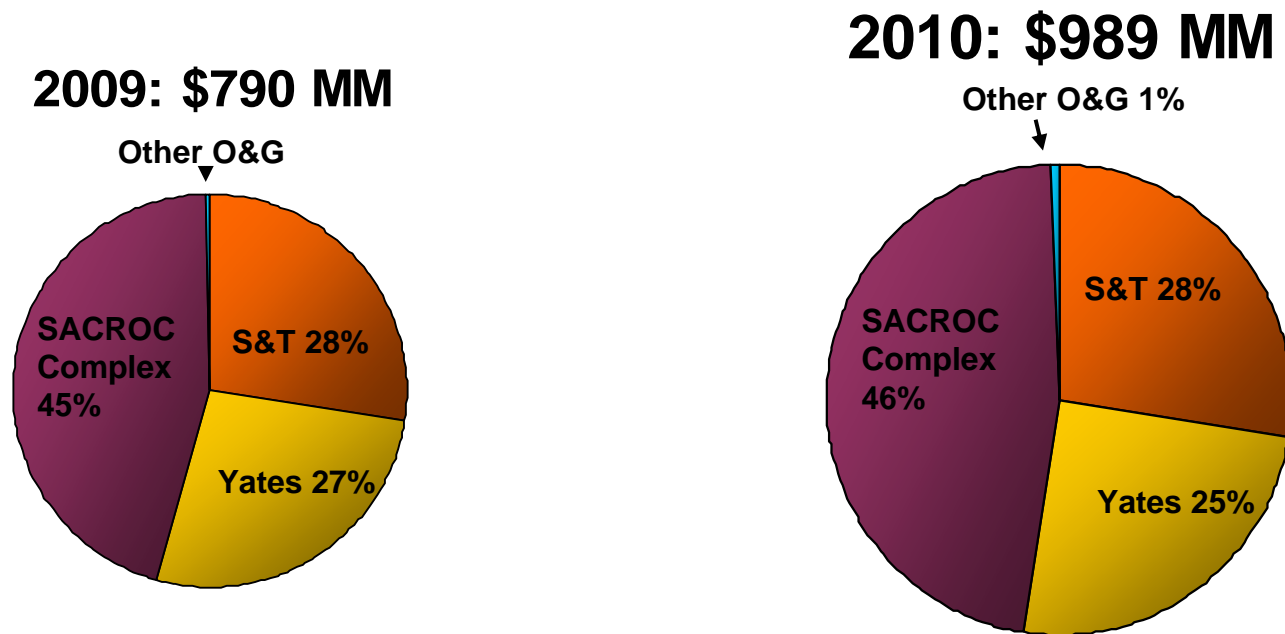
- Achieved \$52.8 MM reduction (15%)
- Achieved \$48 MM reduction in TOTI

Expansion CAPEX

- Achieved ~\$120 MM reduction (27%)

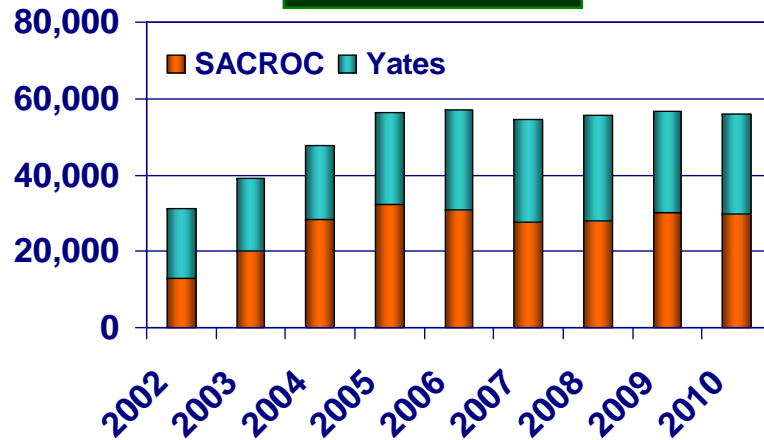
- 135 vendor letters, follow-up discussions
- Bidding, Contract negotiations
- Wellwork reductions ~ 25-30%
- Surface materials, Services ~ 10-15%
- SACROC capital program changed
 - Developed fewer, but richer patterns
- Low ESP failure rate reduced rig count (1/2 rig)
- Accelerated Yates compressors (less rental)
- TOTI savings mostly from lower severance tax rates

2009 and 2010 DCF by Asset Group



SACROC and Yates Oil Production DCF

Oil Production



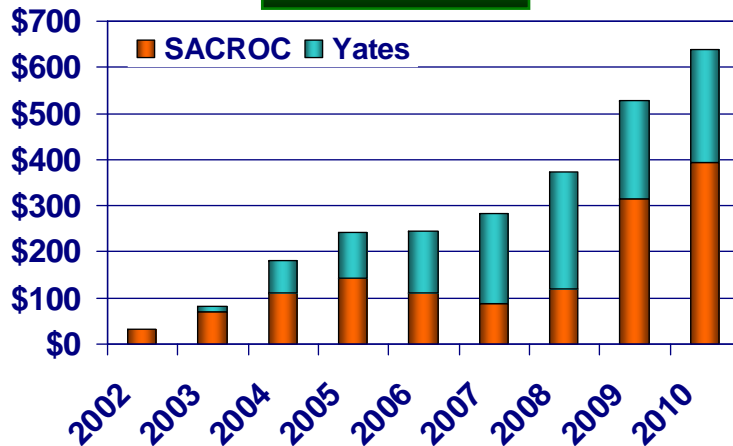
Original Oil in Place, Billion Bbls

SACROC	2.8
Yates	5.0

2010 Production

SACROC oil	29,800 B/d
SGP NGLs	16,673 B/d
Yates	26,150 B/d

DCF

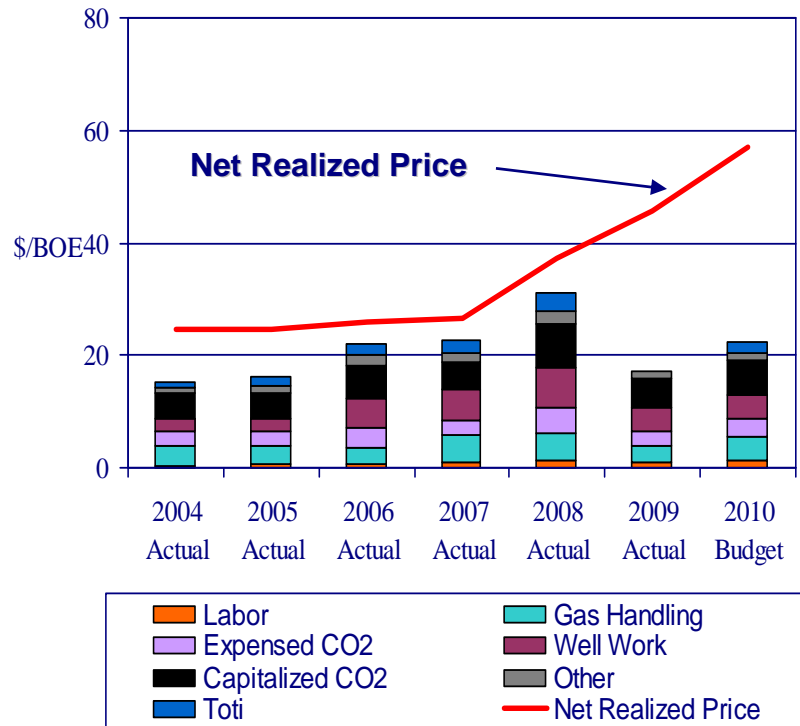


2010 DCF

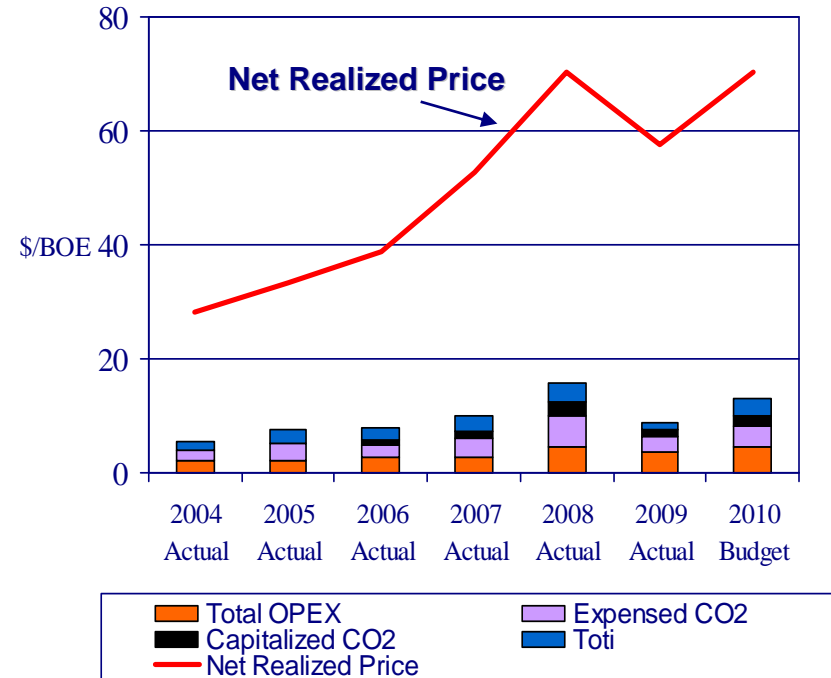
SACROC Unit only	\$395 MM
Yates	\$245 MM

Oil and Gas Margins Remain Strong Net of Hedged Prices

SACROC Cost Structure

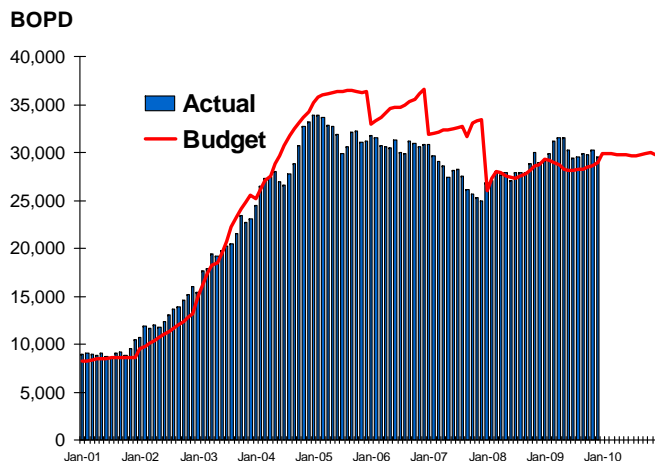


Yates Cost Structure

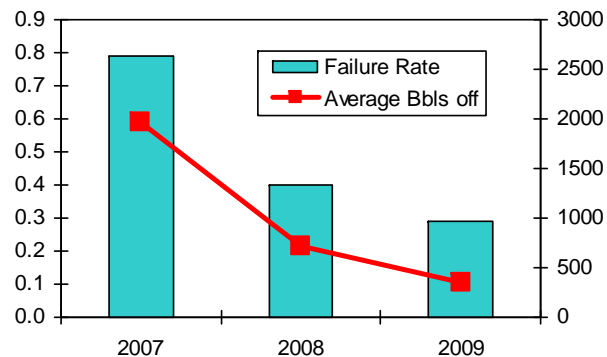


SACROC Production & Operations Highlights

Oil Production 2001-2010



Sub-pump Improvements



2009 – Review

Oil production exceeded plan

- Sub-Pump performance continued to improve
- Compressor run-time improved from 91.5% to 94.7%
- High graded pattern selection
- Injection rates higher than expected – curtailed pattern activations from 46 to 26

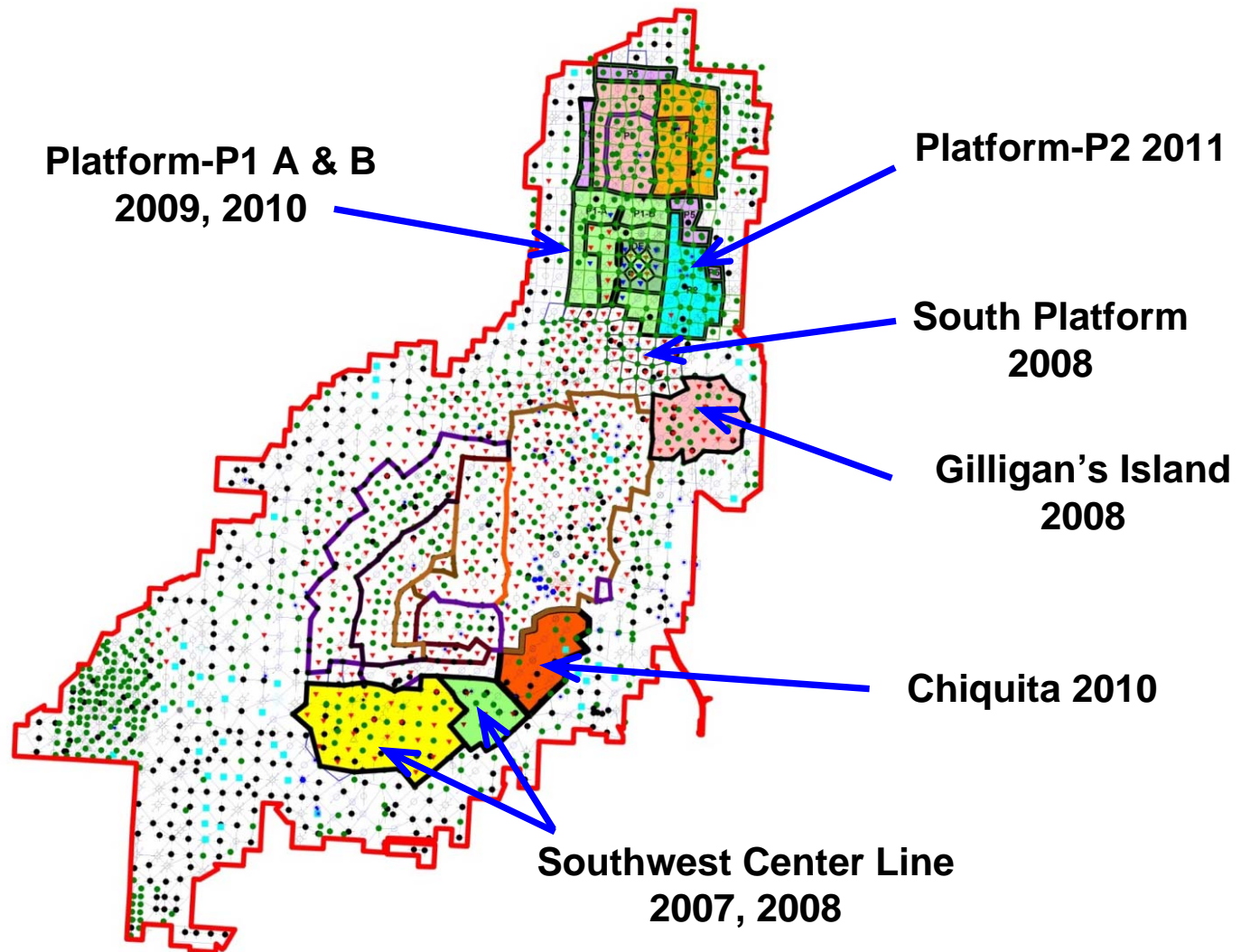
Costs below plan

- Opex/Sustaining Capex: 31 MM\$
- Expansion Capex: 89 MM\$
- Lower rig costs, goods and services
- Cost reduction efforts
- Lower activity level due to pattern selections

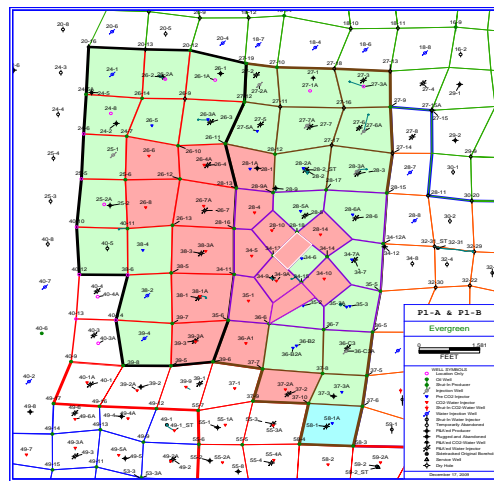
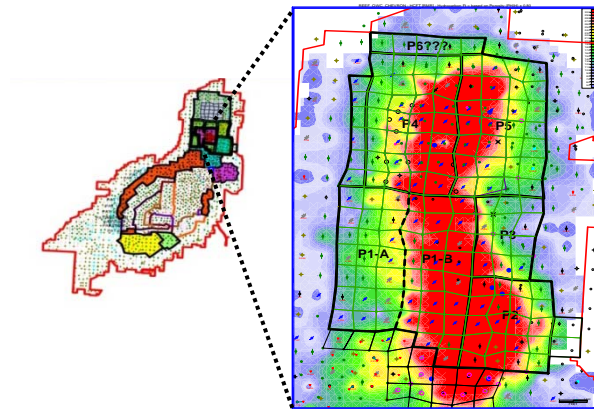
2010 - Focus

- Costs, Vendors beginning to push increases
- Add patterns at the right pace, manage gas volumes
- Continue to increase run-time
- Continue Conformance improvement projects

SACROC Recent & Future Development Plans



SACROC Development Activities and Plans



2009
 2010

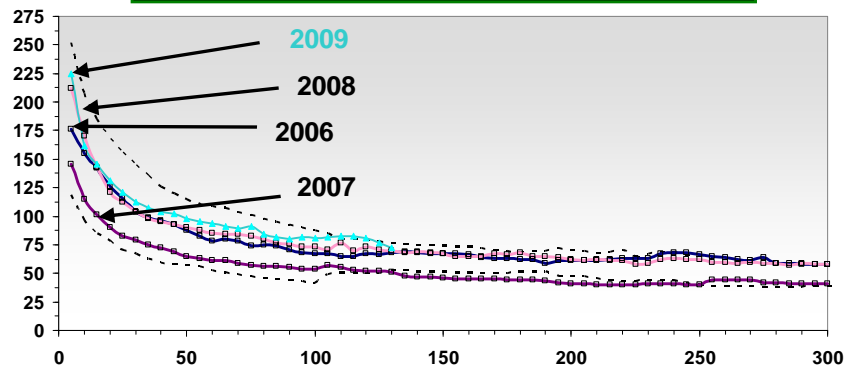
- **2009 Budget – 46 Patterns**
 - Finish S Platform and GI – 10 patterns
 - Activate 21 P1A patterns and 15 P1B patterns

- **2009 Actual – 26 patterns**
 - Finished So. Plat. And GI activations – 10 patterns
 - Activated 7 P1A patterns (sunk costs)
 - Activated 9 P1B patterns (Accelerate infill test)

- **2010 Plan – 39 patterns**
 - Finish P1 – 30 Patterns
 - Develop Chiquita – 9 of 14 patterns
 - P1 patterns have greater conformance risk

Yates Field Production and Development

HDH Production Results



Oil column has thinned relative to 2008

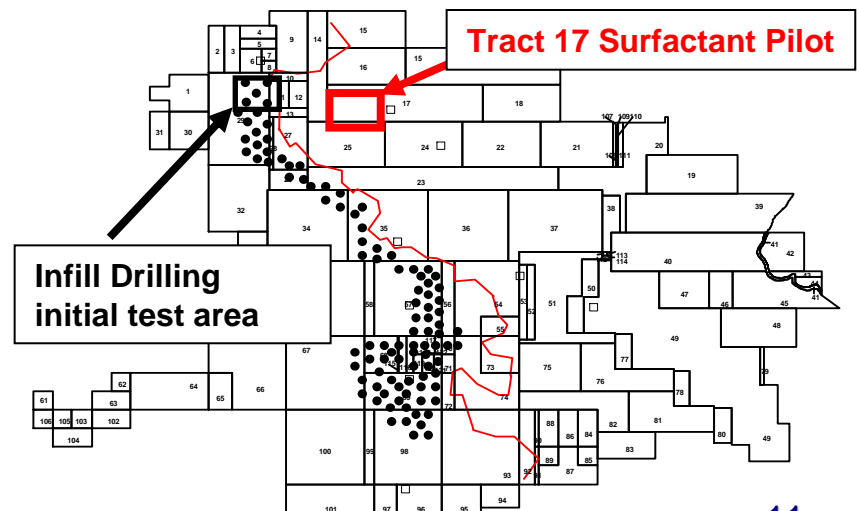
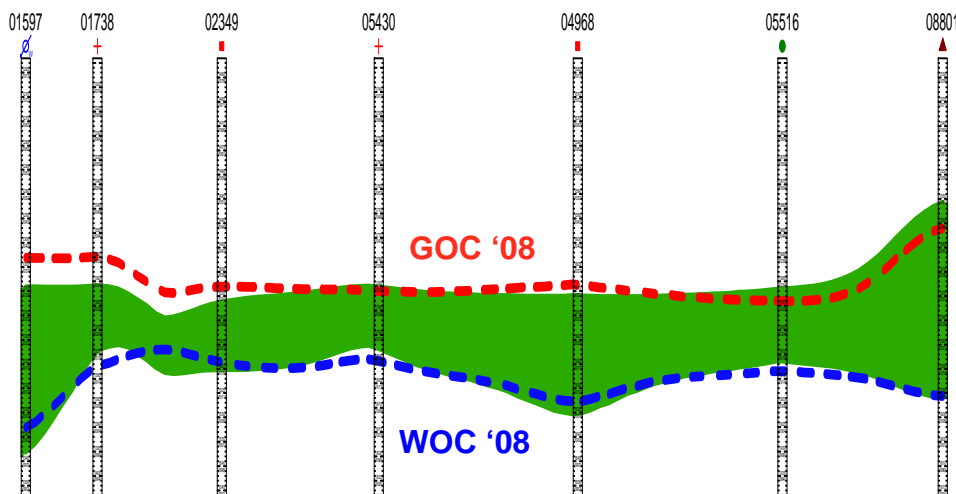
- Expect slightly lower oil production in 2010
- Effectively capturing drained oil

Continue Horizontal drilling program to capture draining oil from CO₂ response

Upside potential on West Side-Infill drilling, reactivations, surfactant

- 5 infill wells producing 250 b/d
- ~100 additional infill locations

Dec '09 Oil Column Thickness



Eastern Shelf Pipeline & Katz CO₂ Project

Acquired Katz Field April, 2006

Completed Detailed Geological & Engineering Review of Katz

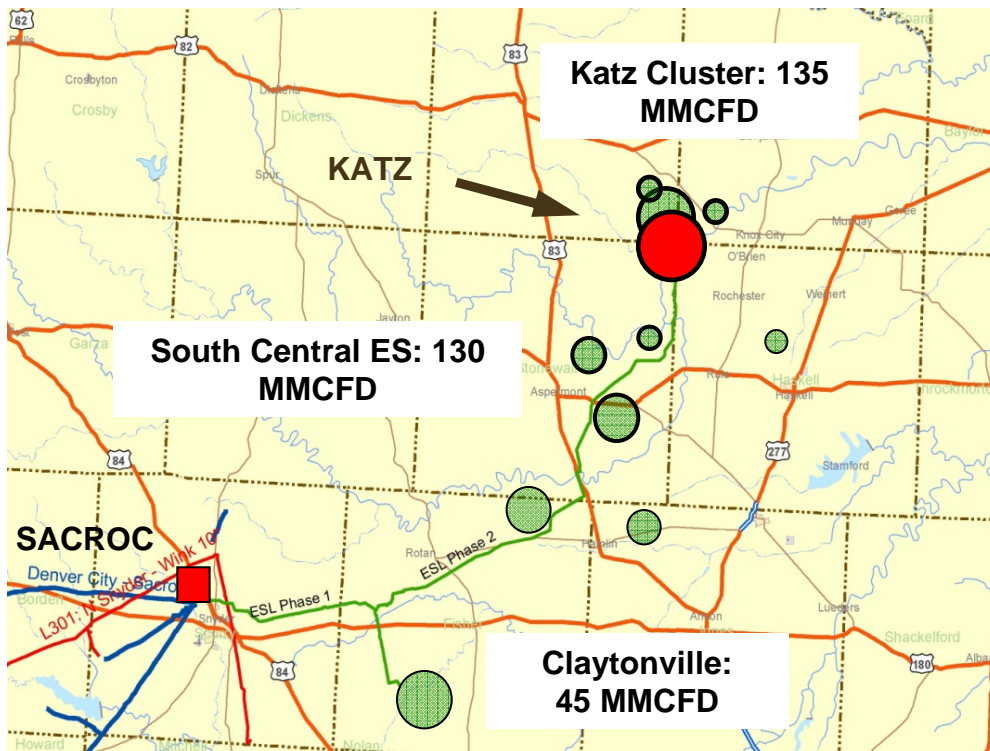
- OOIP 206 MMB
- Analog field results are encouraging: Expect 25 MMB, 15.8% Recovery

Strategic Opportunity with Upside

- Adding CO₂ demand – 65 MMCF/d, 226 BCF
- Opening a new basin – up to 200 MMCF/d
 - Over 1 Billion Bbl OOIP in region
 - Additional prospects include Claytonville, Round Top, Burnett Ranch

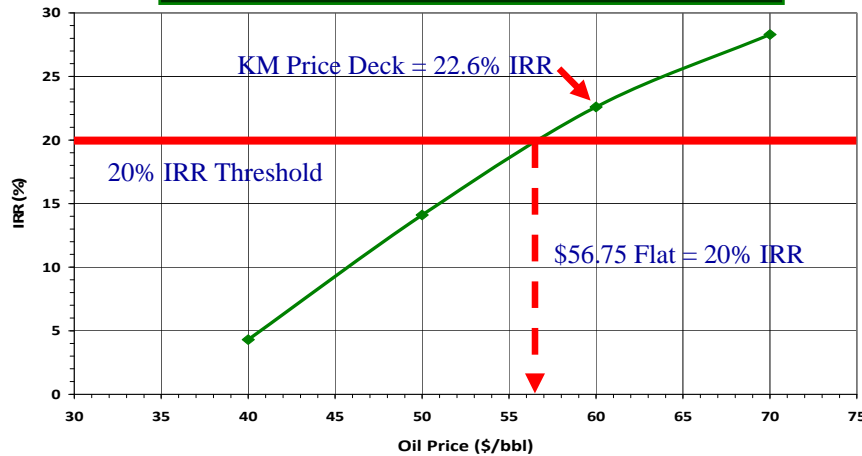
Economics (based on \$60/b oil price):

- ~\$183 MM Capex
 - Pipeline \$36.3 MM
 - Field Development \$146.7 MM
- 22.6% Unlevered IRR

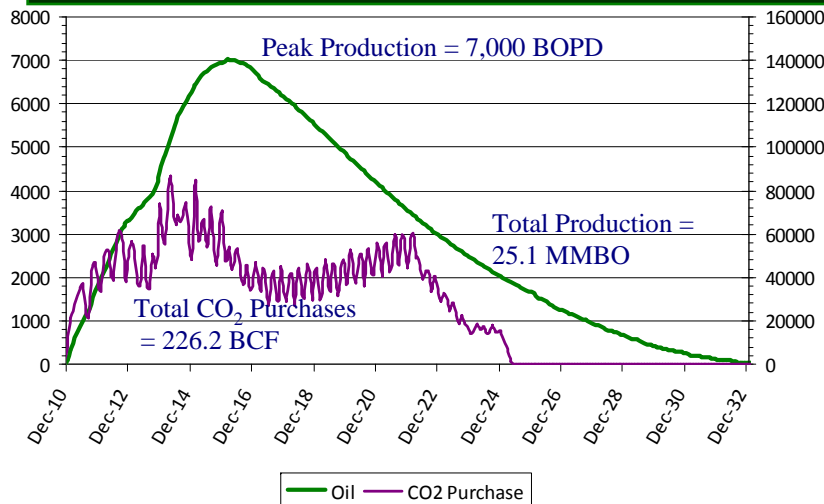


Eastern Shelf Pipeline & Katz CO₂ Project

Profitability vs. Oil Price



Katz Project Oil Production/ CO₂ Purchases



Katz Project Details

57 Patterns, First injection 1st qtr 2011

Pipeline

- 10" 91 miles, \$36.3 MM

Wellwork

- CAPEX = \$103.2 MM
- 66% New Drills (Lower Chance of Problem Wells)
- Drilling Rig Contract – Rate tied to oil price
- Well tubulars purchased at discount

Facilities/Misc.

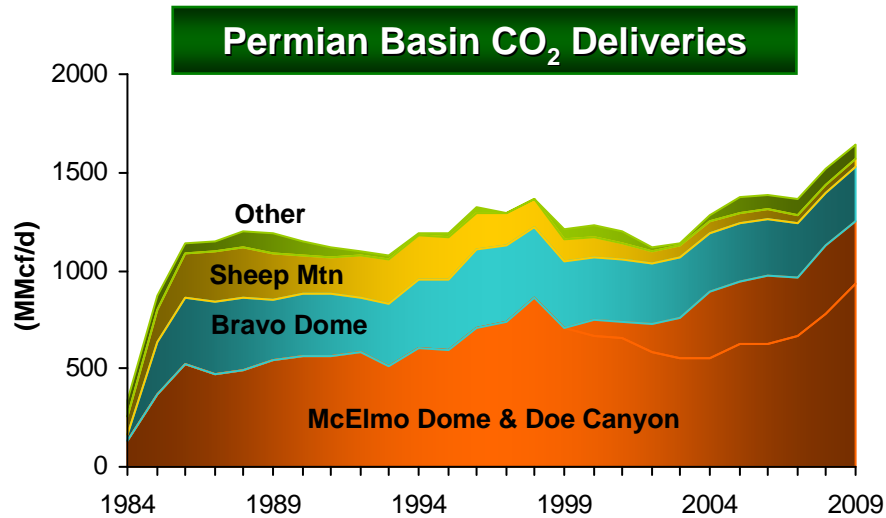
- CAPEX = \$42.9 MM
- Will Re-inject All Gas (HC & CO₂); No NGL Recovery

Execution Risks

- More Remote Location (Schedule & Costs)
- 5-Year Execution Plan (Costs)

CO₂ Source and Transportation

Growing Business Opportunities

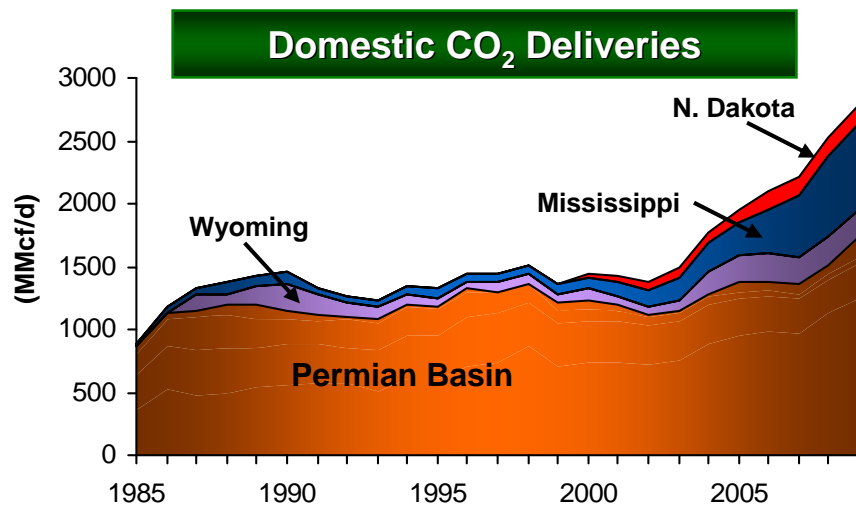


Permian Basin

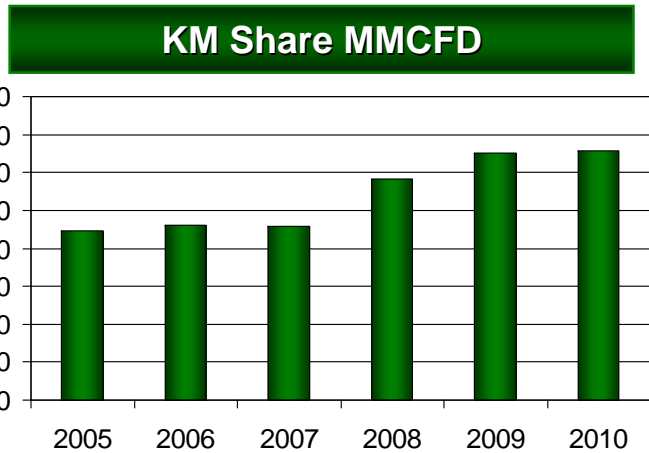
- Supplies pro-rated on occasion, but oil price dip in early 2009 paused many new EOR project developments
- Permian Basin Demand expected to continue to remain stable or grow given existing project expansions plus known new project demand

Domestic EOR

- Industry CO₂ 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
 - Gulf Coast, California, Mid-continent, Canada



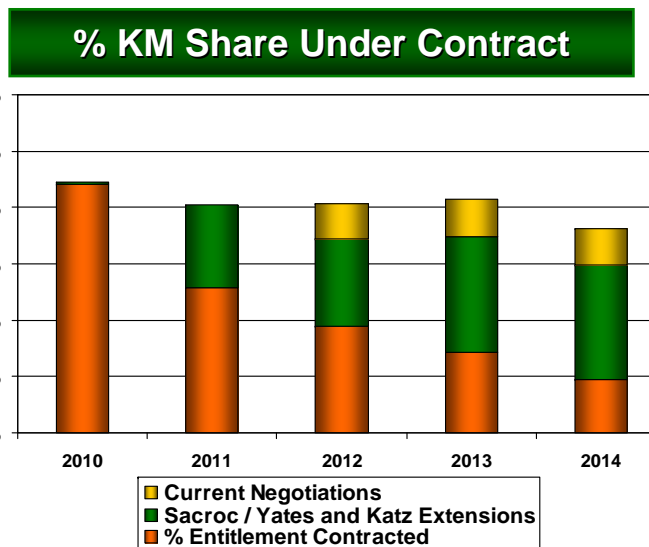
CO₂ Delivered Volumes



Significant growth since 2005

CAGR: Volumes + 8.3%, Price + 14%

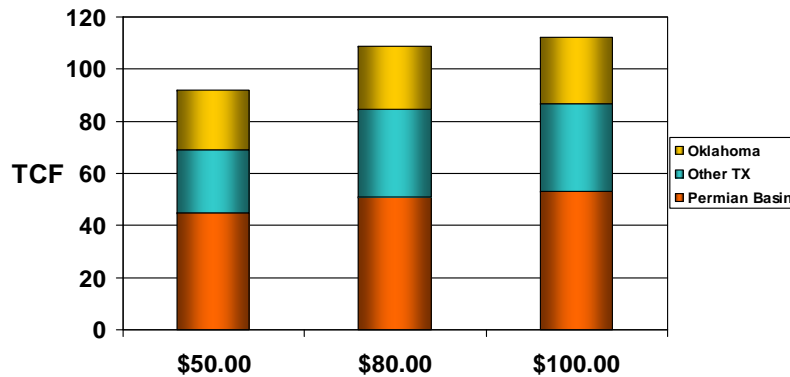
2010 vs. 2009: Volumes Flat, Price + 30%



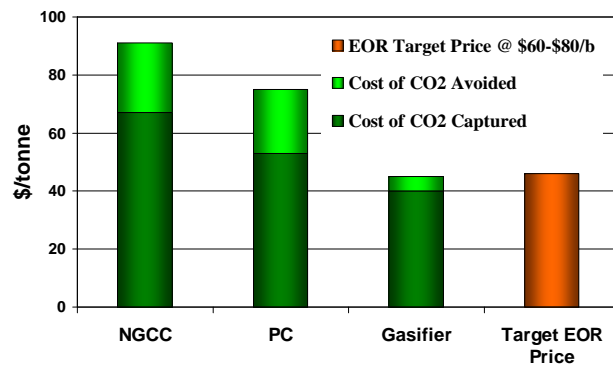
KM share of EOR demand consumes 40% of our entitled production in 2010

Strong Long Term Demand for CO₂

Purchased CO₂ Demand vs. Oil Price (a)



Capture Cost and affordability of Man-made CO₂ supplies (b)



Clean Coal and Sequestration may create new opportunities

- Sales and Transport
- EOR

However, economic and regulatory gaps are very large

- The cost of capturing man-made supplies is very expensive
- Carbon prices would need to be much higher than currently being discussed
- Liability, public expectations and requirements are still uncertain

KMCO₂ is recognized as an industry leader

- Active participant in industry studies
- Active participant in several Sequestration Partnerships

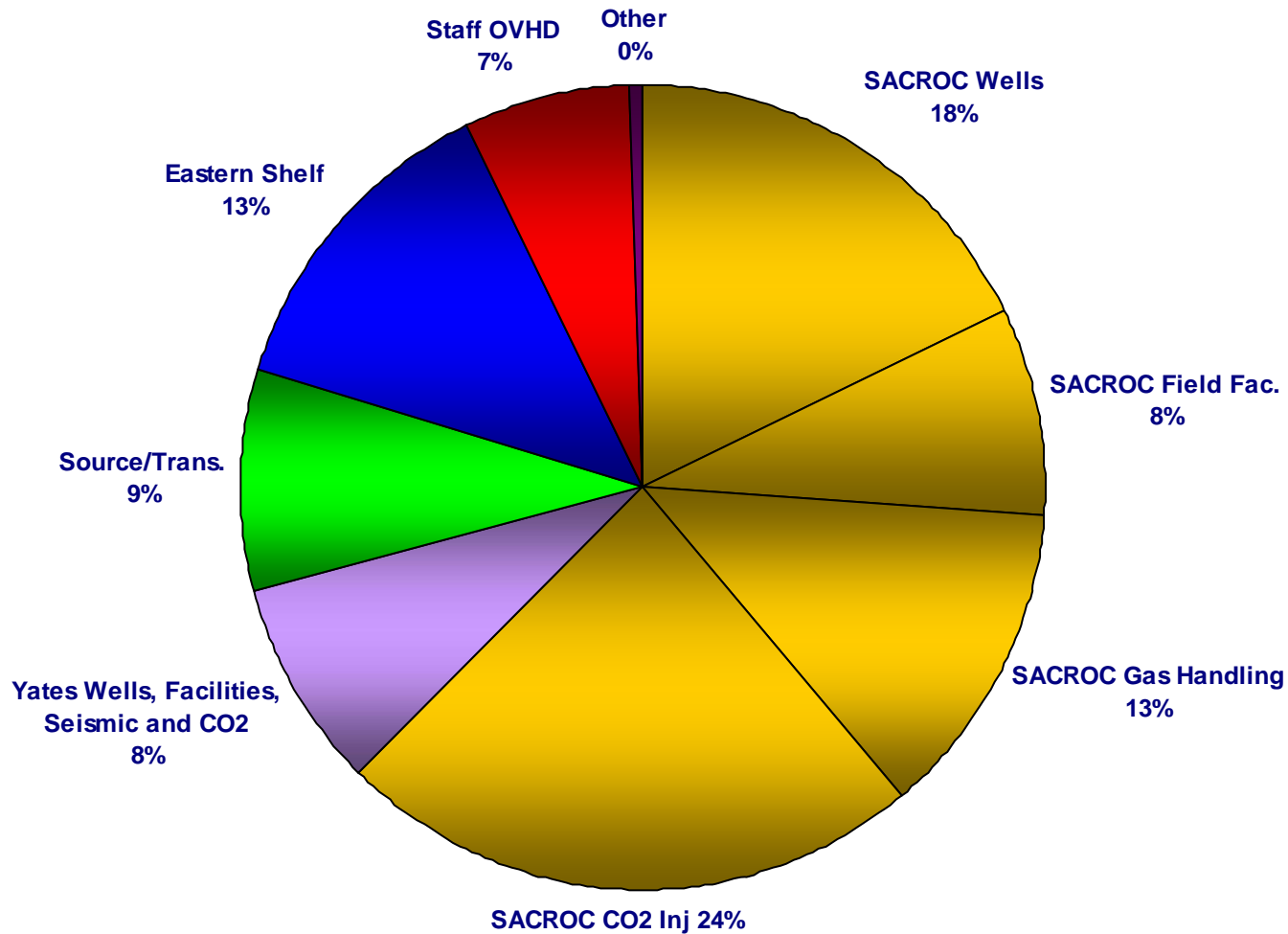
We remain engaged in new project development

- Poised to respond to economic opportunities

(a) Source: Advance Resources International Study, 2008

(b) Sources: NETL, IPCC, KM; NGCC is gas fired combined cycle; PC is Pulverized Coal; IGCC is integrated coal gasification. Cost is at plant gate and does not include transportation; EOR price is at oil field

2010 Expansion Capital Budget - \$415 Million



Note: Cost Metrics based on 2009 run rates, under spent 2009 budget by \$120 MM

Impact of Oil Price/Volume Variance on 2010 DCF

2010 Budget:	\$989 MM
 +/- 1000 BOPD	
SACROC	\$23.7 MM
Yates	\$12.5 MM
 +/- 1 \$/B WTI	
CO₂	\$1 MM
NGL	\$3 MM
Crude	\$2 MM
 3rd Party CO₂ Deliveries	
+/- 50 MMCF/D	\$6.5 MM

KM CO₂ Current Outlook

Development Plans 2010-2019

1. SACROC Base Case Forecast

- 81 MMBOE Net ^(a), \$1.2B KM Share Capex (\$366MM CO₂)
- Continue Platform development plan; Production forecast is based on existing recovery expectations

2. Yates Base Case

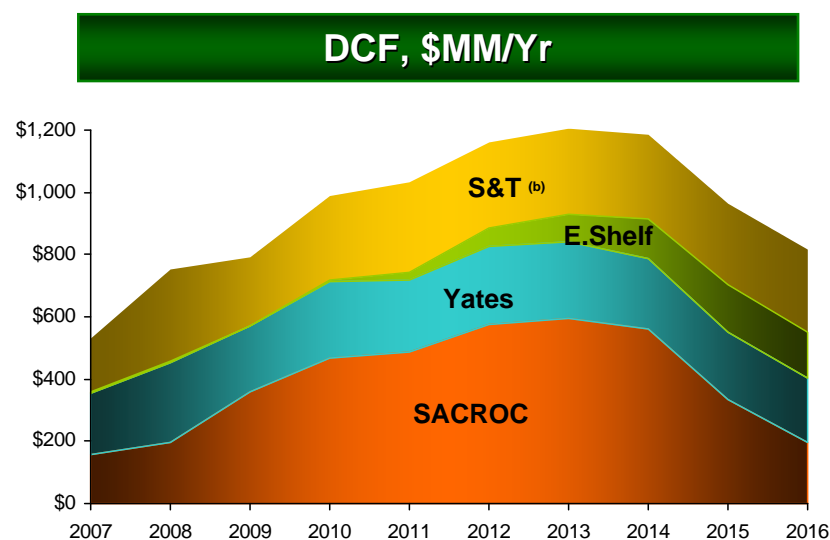
- 42 MMBOE Net ^(a), \$294MM KM Share Capex (\$77MM CO₂)
- Continue HDH programs and gravity drainage depletion plan; no upside potential included from infill or surfactant

3. Eastern Shelf

- 14MMBOE Net ^(a), \$329MM KM Share Capex (\$194MM CO₂)
- Start construction and implement development plans at Katz
 - Claytonville CO₂ project not included

4. CO₂ S&T

- \$187MM KM Share Capex, 1.35 BCF/d capacity, Includes Eastern Shelf CO₂ Pipeline
- Maintain aggressive CO₂ sales program and keep facilities at capacity

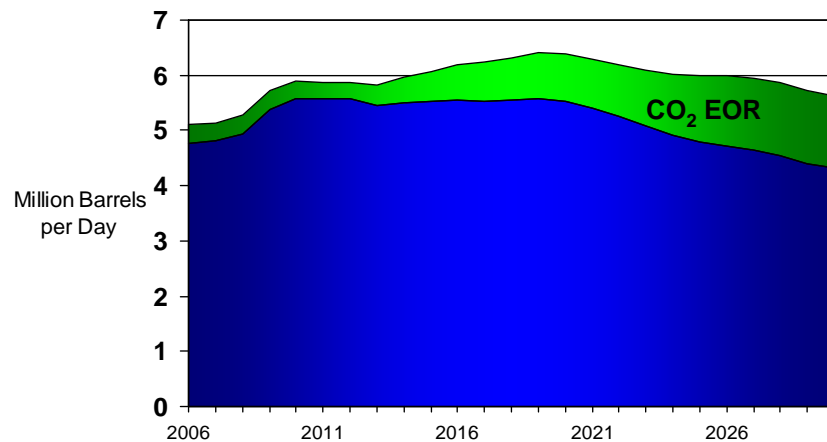


2010 = Budget, 2011 at forward curve, 2012+ at \$80/b
 Cost Metrics based on 2009 run rate
 Development plans may change in different price scenarios

(a) Net Beq = SACROC: Net Crude plus Wet HC Gas divided by 6; Yates: Net Crude and NGLs plus Residue Gas divided by 6, Eastern Shelf: Net Crude only
 (b) CO₂ profits not eliminated from S&T

Upside Opportunities Down the Road...

CO₂ EOR forecast to be ~25% of domestic production by 2030 ^(a)



EOR Projects will make up a larger amount of domestic oil production going forward

- We have the footprint and management expertise to take advantage of that

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 CO₂ injection
- Yates Infill drilling and Surfactant opportunities

KMCO₂ may again have the opportunity to further capitalize on our large, low cost CO₂ supply in a CO₂ short marketplace

- Approved Eastern Shelf CO₂ PL and Katz Project; opening a large new region
- Acquisitions near our operations can reverse the decline

(a) AEO 2008