

PCOR Annual Meeting - Denbury Update

September 2016



NYSE:DNR

Denbury 

Cautionary Statements

Forward Looking Statements: The data contained in this presentation that are not historical facts are forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements may be or may concern, among other things, future hydrocarbon prices, the length or severity of the current commodity price downturn, current or future liquidity sources or their adequacy to support our anticipated future activities, our ability to reduce our debt levels, possible future write-downs of oil and natural gas reserves, together with assumptions based on current and projected oil and gas costs, current or future expectations or estimations of our cash flows, availability of capital, borrowing capacity, availability of advantageous commodity derivative contracts or the predicted cash flow benefits therefrom, forecasted capital expenditures, drilling activity or methods, including the timing and location thereof, estimated timing of commencement of CO₂ flooding of particular fields or areas, or the timing of pipeline construction or completion or the cost thereof, dates of completion of to-be-constructed industrial plants and the initial date of capture of CO₂ from such plants, timing of CO₂ injections and initial production responses in tertiary flooding projects, acquisition plans and proposals and dispositions, development activities, finding costs, anticipated future cost savings, capital budgets, production rates and volumes or forecasts thereof, hydrocarbon reserve quantities and values, CO₂ reserves and their availability, helium reserves, potential reserves, percentages of recoverable original oil in place, the impact of regulatory rulings or changes, anticipated outcomes of pending litigation, prospective legislation affecting the oil and gas industry, mark-to-market values, competition, long-term forecasts of production, finding costs, rates of return, estimated costs, estimates of the range of potential insurance recoveries, changes in costs, future capital expenditures and overall economics, worldwide economic conditions and other variables surrounding our operations and future plans. Such forward-looking statements generally are accompanied by words such as “plan,” “estimate,” “expect,” “predict,” “to our knowledge,” “anticipate,” “projected,” “preliminary,” “should,” “assume,” “believe,” “may” or other words that convey, or are intended to convey, the uncertainty of future events or outcomes. Such forward-looking information is based upon management’s current plans, expectations, estimates, and assumptions and is subject to a number of risks and uncertainties that could significantly and adversely affect current plans, anticipated actions, the timing of such actions and our financial condition and results of operations. As a consequence, actual results may differ materially from expectations, estimates or assumptions expressed in or implied by any forward-looking statements made by us or on our behalf. Among the factors that could cause actual results to differ materially are fluctuations in worldwide oil prices or in U.S. oil prices and consequently in the prices received or demand for our oil and natural gas; decisions as to production levels and/or pricing by OPEC in future periods; levels of future capital expenditures; effects of our indebtedness; success of our risk management techniques; inaccurate cost estimates; availability of and fluctuations in the prices of goods and services; the uncertainty of drilling results and reserve estimates; operating hazards and remediation costs; disruption of operations and damages from well incidents, hurricanes, tropical storms, or forest fires; acquisition risks; requirements for capital or its availability; conditions in the worldwide financial and credit markets; general economic conditions; competition; government regulations, including tax and environmental; and unexpected delays, as well as the risks and uncertainties inherent in oil and gas drilling and production activities or that are otherwise discussed in this quarterly report, including, without limitation, the portions referenced above, and the uncertainties set forth from time to time in our other public reports, filings and public statements including, without limitation, the Company’s most recent Form 10-K.

Statement Regarding Non-GAAP Financial Measures: This presentation also contains certain non-GAAP financial measures. Any non-GAAP measures included herein is accompanied by a reconciliation to the most directly comparable U.S. GAAP measure along with a statement on why the Company believes the measure is beneficial to investors, which reconciliation and statement is included at the end of this presentation.

Note to U.S. Investors: Current SEC rules regarding oil and gas reserves information allow oil and gas companies to disclose in filings with the SEC not only proved reserves, but also probable and possible reserves that meet the SEC’s definitions of such terms. We disclose only proved reserves in our filings with the SEC. Denbury’s proved reserves as of December 31, 2014 and December 31, 2015 were estimated by DeGolyer and MacNaughton, an independent petroleum engineering firm. In this presentation, we may make reference to probable and possible reserves, some of which have been estimated by our independent engineers and some of which have been estimated by Denbury’s internal staff of engineers. In this presentation, we also may refer to estimates of original oil in place, resource or reserves “potential”, barrels recoverable, or other descriptions of volumes potentially recoverable, which in addition to reserves generally classifiable as probable and possible (2P and 3P reserves), include estimates of resources that do not rise to the standards for possible reserves, and which SEC guidelines strictly prohibit us from including in filings with the SEC. These estimates, as well as the estimates of probable and possible reserves, are by their nature more speculative than estimates of proved reserves and are subject to greater uncertainties, and accordingly the likelihood of recovering those reserves is subject to substantially greater risk.

A Different Kind of Oil Company



Denbury's Profile:

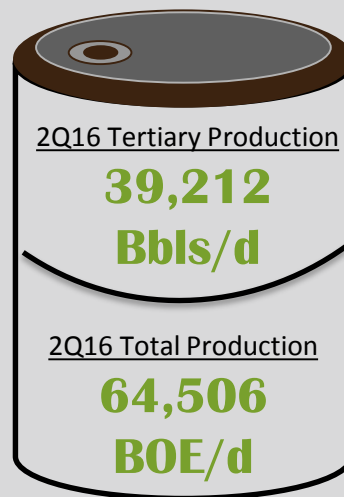
- » CO₂ enhanced oil recovery ("CO₂ EOR") is our core focus
- » We have uniquely long-lived and lower-risk assets with extraordinary resource potential
- » Owning and controlling the CO₂ supply and infrastructure provides our strategic advantage
- » *"We bring old oil fields back to life!"*

~6.7 Tcf

Gross proved
CO₂ reserves
As of 12/31/2015

Over

1,100
miles of CO₂
pipelines



2015 Proved Reserves

289 MMBOE

~98% oil



Produced over

135 Million

gross barrels from
EOR to date

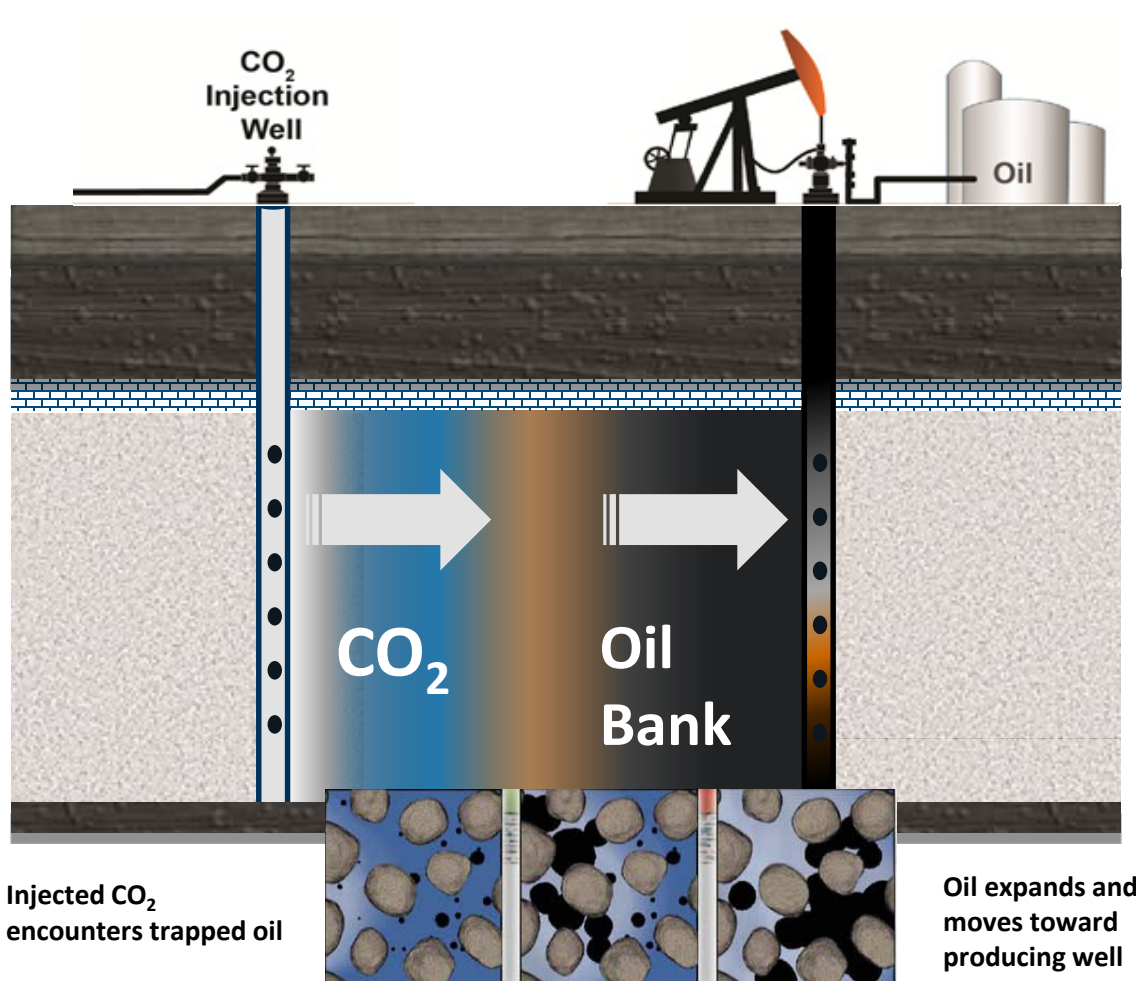
890

Million
Barrels
(net)

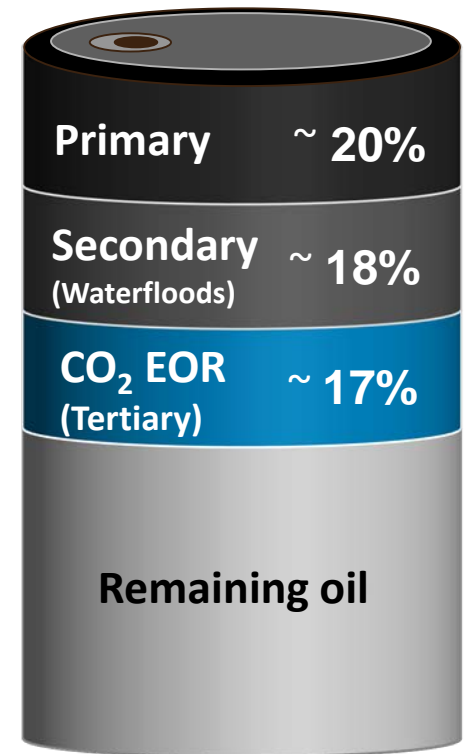
EOR Resource Potential

CO₂ EOR Process

CO₂ EOR delivers almost as much production as primary or secondary recovery⁽¹⁾



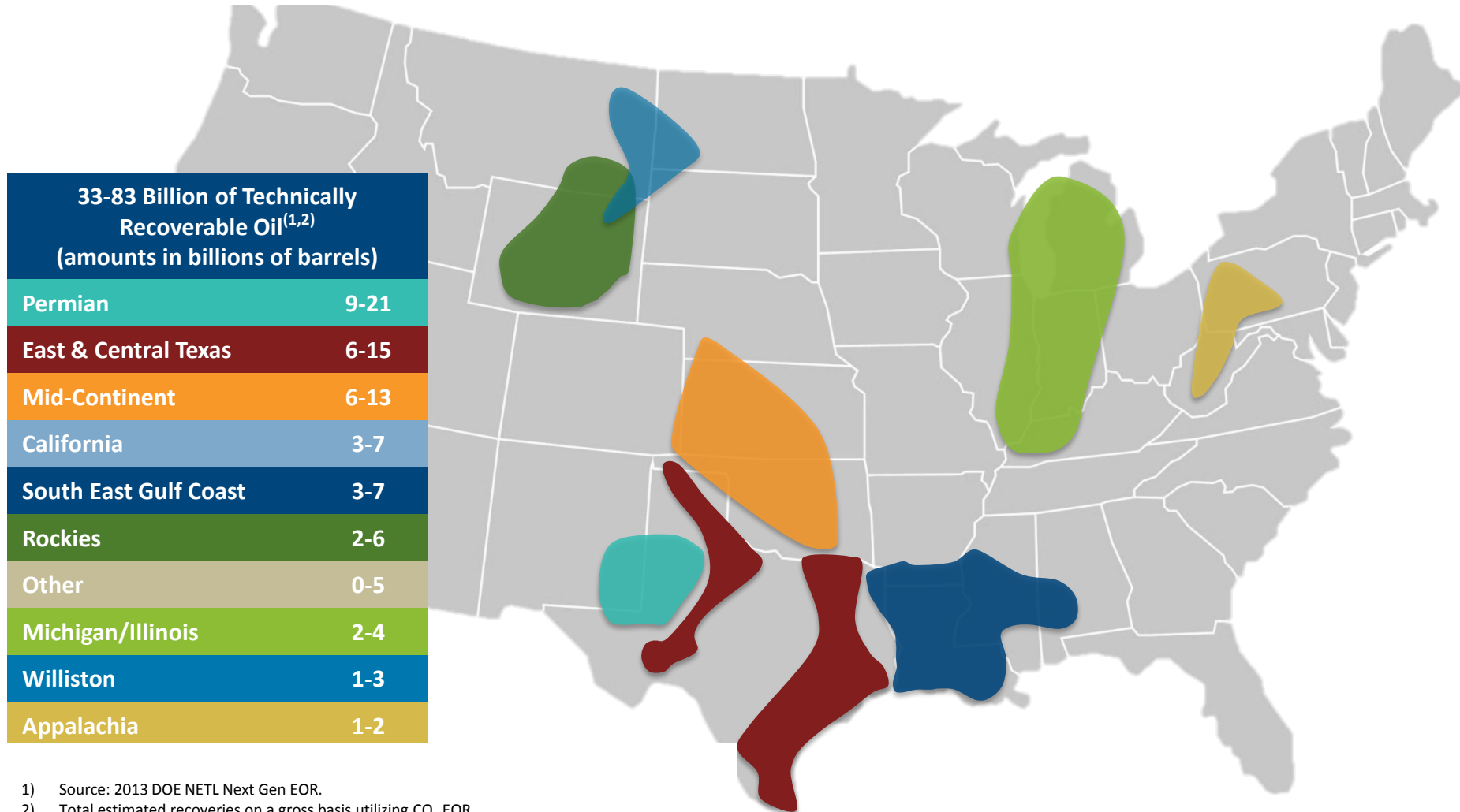
Recovery of
Original Oil in Place
("OOIP")



(1) Based on OOIP at Denbury's Little Creek Field

U.S. Lower-48 CO₂ EOR Potential

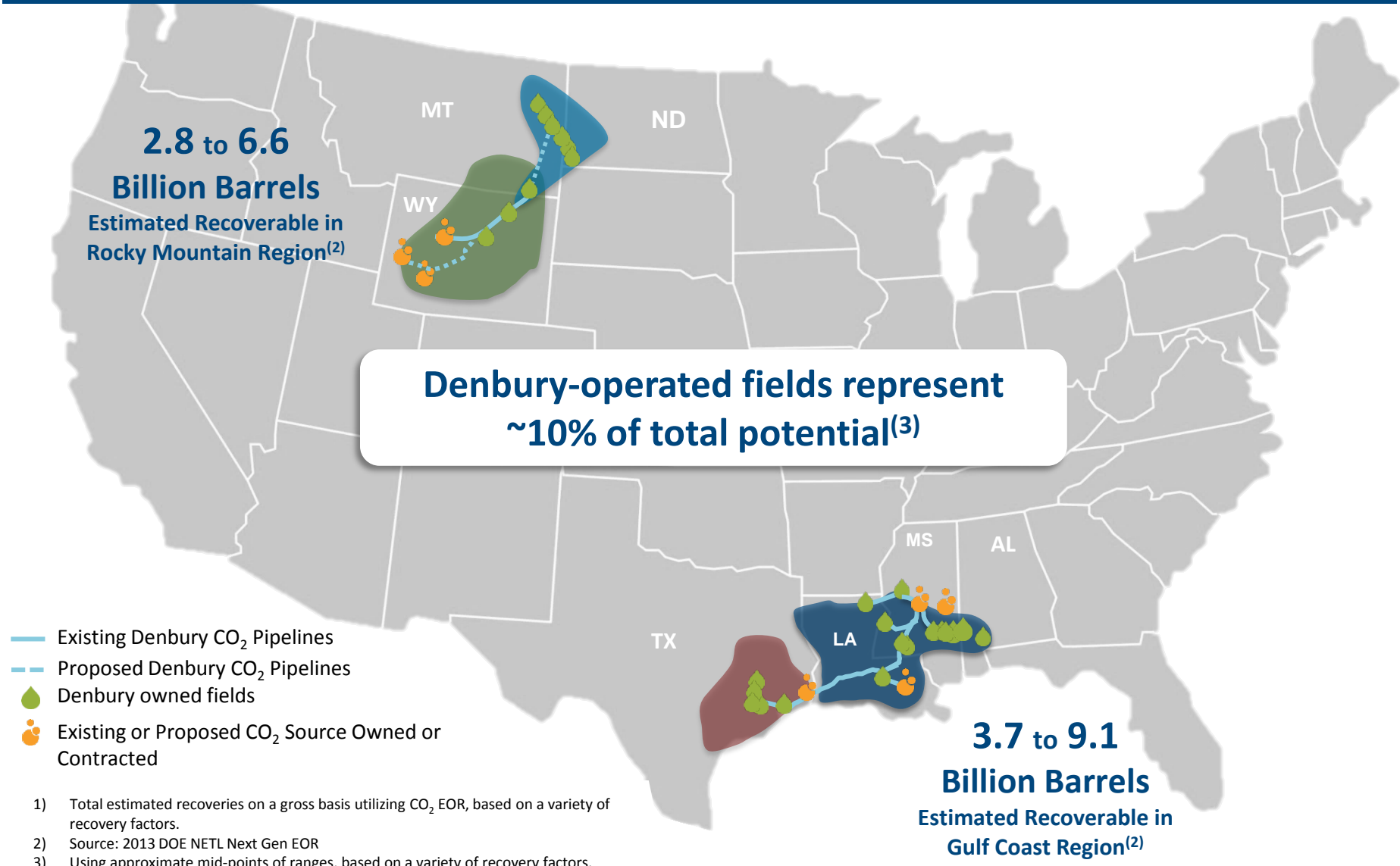
Up to 83 Billion Barrels of Technically Recoverable Oil⁽¹⁾⁽²⁾



1) Source: 2013 DOE NETL Next Gen EOR.

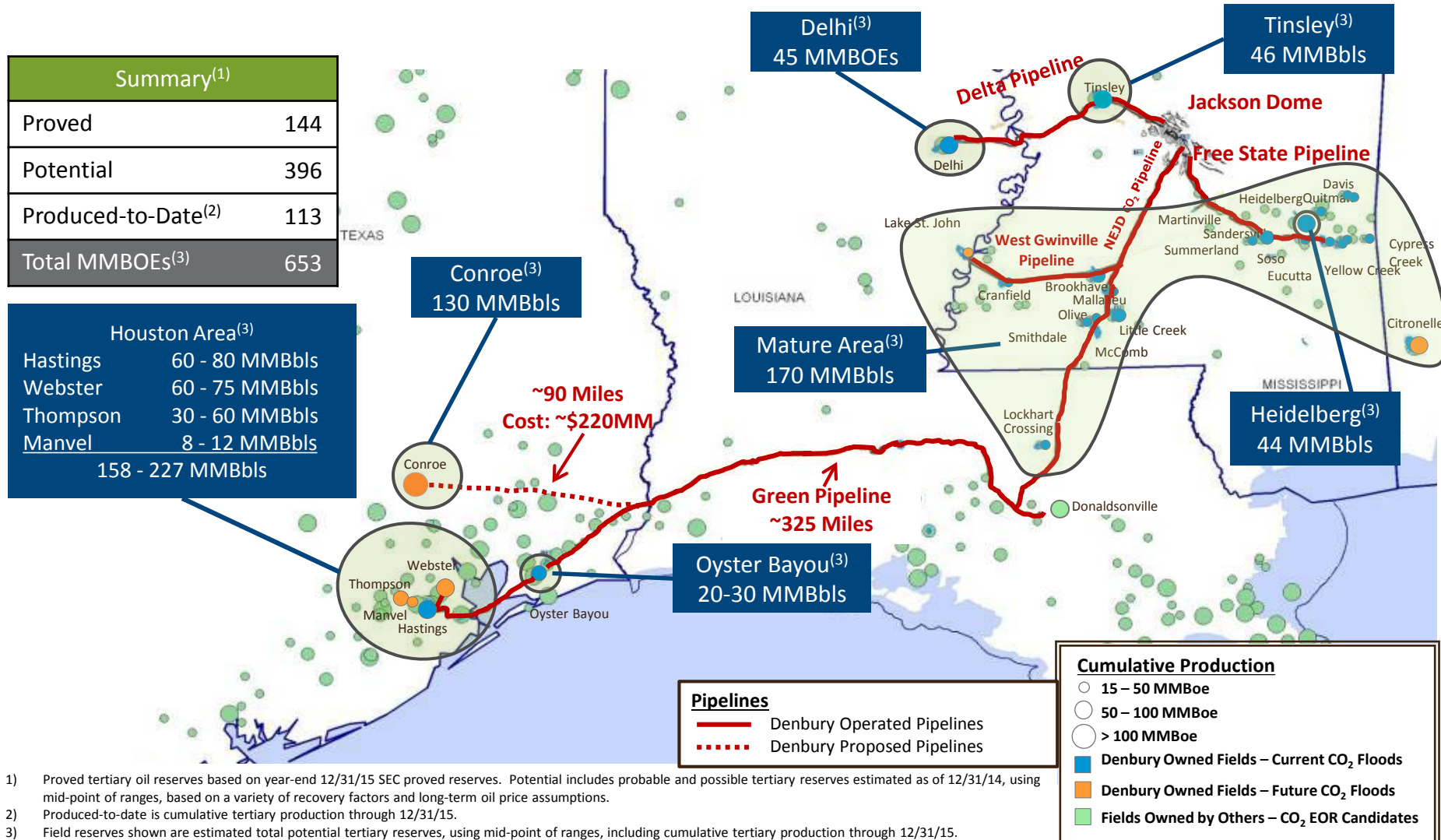
2) Total estimated recoveries on a gross basis utilizing CO₂ EOR.

Up to 16 Billion Gross Barrels Recoverable⁽¹⁾ in Our Two CO₂ EOR Target Areas



CO₂ EOR in Gulf Coast Region

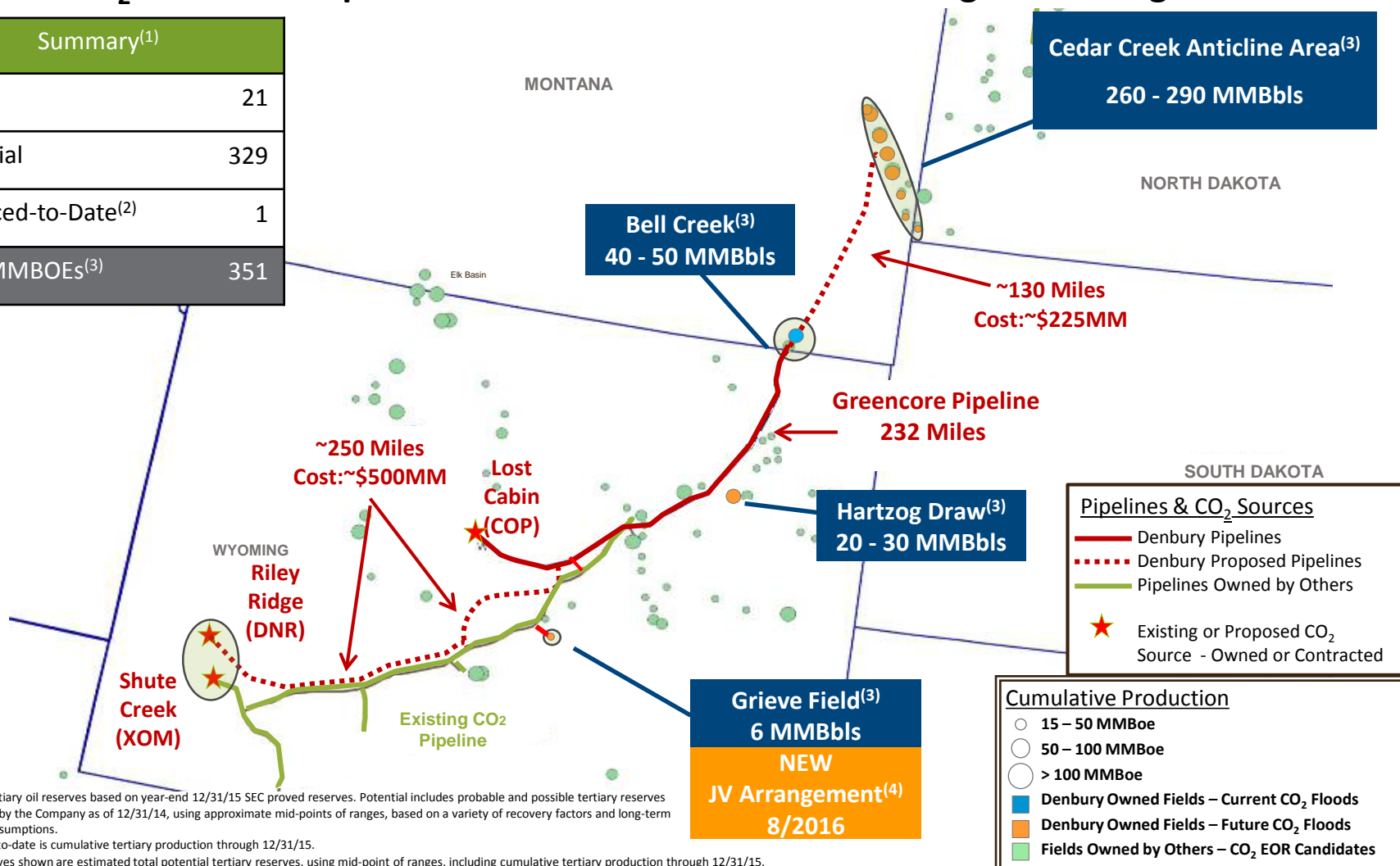
Control of CO₂ Sources & Pipeline Infrastructure Provides a Strategic Advantage



CO₂ EOR in Rocky Mountain Region

Control of CO₂ Sources & Pipeline Infrastructure Provides a Strategic Advantage

Summary ⁽¹⁾	
Proved	21
Potential	329
Produced-to-Date ⁽²⁾	1
Total MMBOEs ⁽³⁾	351



1) Proved tertiary oil reserves based on year-end 12/31/15 SEC proved reserves. Potential includes probable and possible tertiary reserves estimated by the Company as of 12/31/14, using approximate mid-points of ranges, based on a variety of recovery factors and long-term oil price assumptions.

2) Produced-to-date is cumulative tertiary production through 12/31/15.

3) Field reserves shown are estimated total potential tertiary reserves, using mid-point of ranges, including cumulative tertiary production through 12/31/15.

4) The revised agreement provides for the Company's joint venture partner to fund the remaining estimated capital of \$55 million to complete development of the facility and fieldwork in exchange for a 14% higher working interest and a disproportionate sharing of revenue during the first 2 million barrels of production. Currently anticipate production start-up by mid 2018.

Ample CO₂ Supply & No Significant Capital Required for Several Years

Gulf Coast CO₂ Supply

Jackson Dome

- » Proved CO₂ reserves as of 12/31/15: ~5.5 Tcf⁽¹⁾
- » Additional probable and possible CO₂ reserves as of 12/31/15: ~2.5 Tcf
- » Currently producing at less than 60% of capacity

Industrial-Sourced CO₂

- » Air Products: hydrogen plant - ~40-50 MMcf/d
- » PCS Nitrogen: ammonia products - ~20 MMcf/d
- » Mississippi Power: power plant - ~160 MMcf/d⁽²⁾

Rocky Mountain CO₂ Supply

LaBarge Area

- » Estimated field size: 750 square miles
- » Estimated recoverable CO₂: 100 Tcf

Shute Creek - ExxonMobil Operated

- » Proved reserves as of 12/31/15: ~1.2 Tcf
- » Denbury has a 1/3 overriding royalty interest and could receive up to ~115 MMcf/d of CO₂ by 2021 at current plant capacity

Riley Ridge – Denbury Operated

- » Probable CO₂ reserves as of 12/31/15: ~2.8 Tcf⁽¹⁾
- » Future plans to construct a CO₂ capture facility to develop significant CO₂ reserves at Riley Ridge and in surrounding acreage

Lost Cabin – ConocoPhillips Operated

- » Denbury could receive up to ~50 MMcf/d of CO₂ at current plant capacity

1) Reported on a gross (8/8^{ths}) basis.

2) Estimated startup in late 2016. Volume estimates based upon preliminary projections from Mississippi Power.

CO₂ EOR is a Proven Process

Significant CO₂ EOR Operators by Region

Gulf Coast Region

» Denbury Resources

Permian Basin Region

» Occidental » Kinder Morgan

Rocky Mountain Region

» Denbury Resources » FDL
» Devon » Chevron

Canada

» Cenovus » Apache

Significant CO₂ Supply by Region

Gulf Coast Region

» Jackson Dome, MS (Denbury Resources)
» Port Arthur, TX (Denbury Resources)
» Geismar, LA (Denbury Resources)
» Mississippi Power (Denbury Resources)

Permian Basin Region

» Bravo Dome, NM (Kinder Morgan, Occidental)
» McElmo Dome, CO (ExxonMobil, Kinder Morgan)
» Sheep Mountain, CO (ExxonMobil, Occidental)

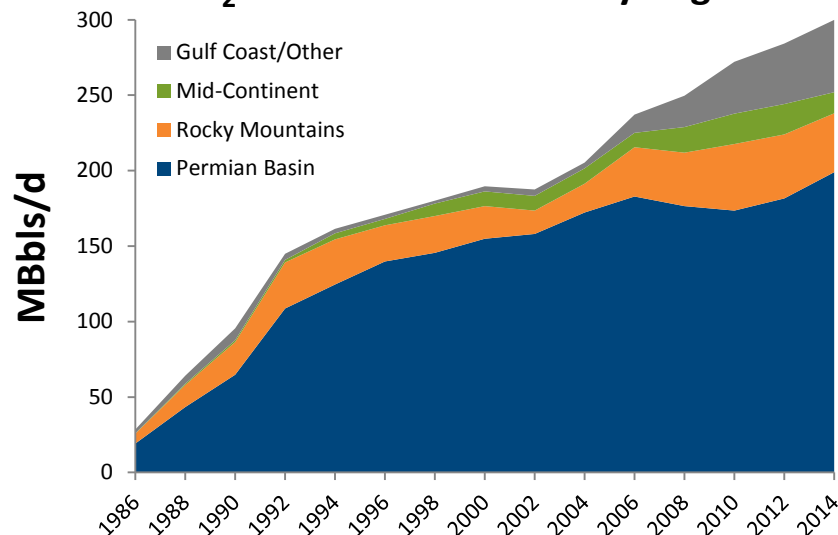
Rocky Mountain Region

» LaBarge, WY (ExxonMobil, Denbury Resources)
» Lost Cabin, WY (ConocoPhillips)

Canada

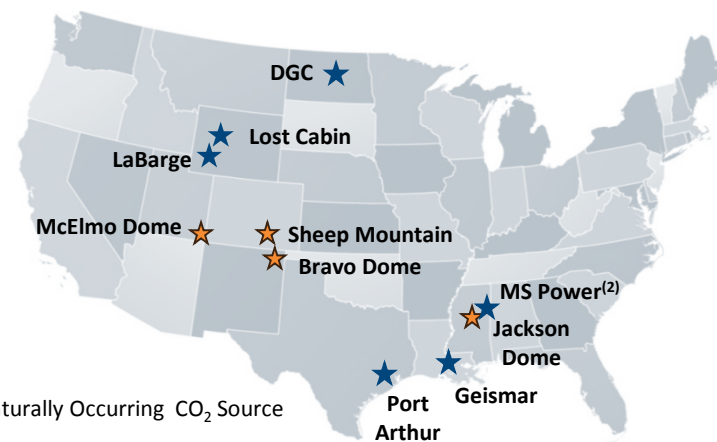
» Dakota Gasification (Cenovus, Apache)

CO₂ EOR Oil Production by Region⁽¹⁾



1) Source: Advanced Resources International

2) Estimated startup in late 2016



★ Naturally Occurring CO₂ Source

★ Industrial-Sourced CO₂

Production by Area

Average Daily Production (BOE/d)

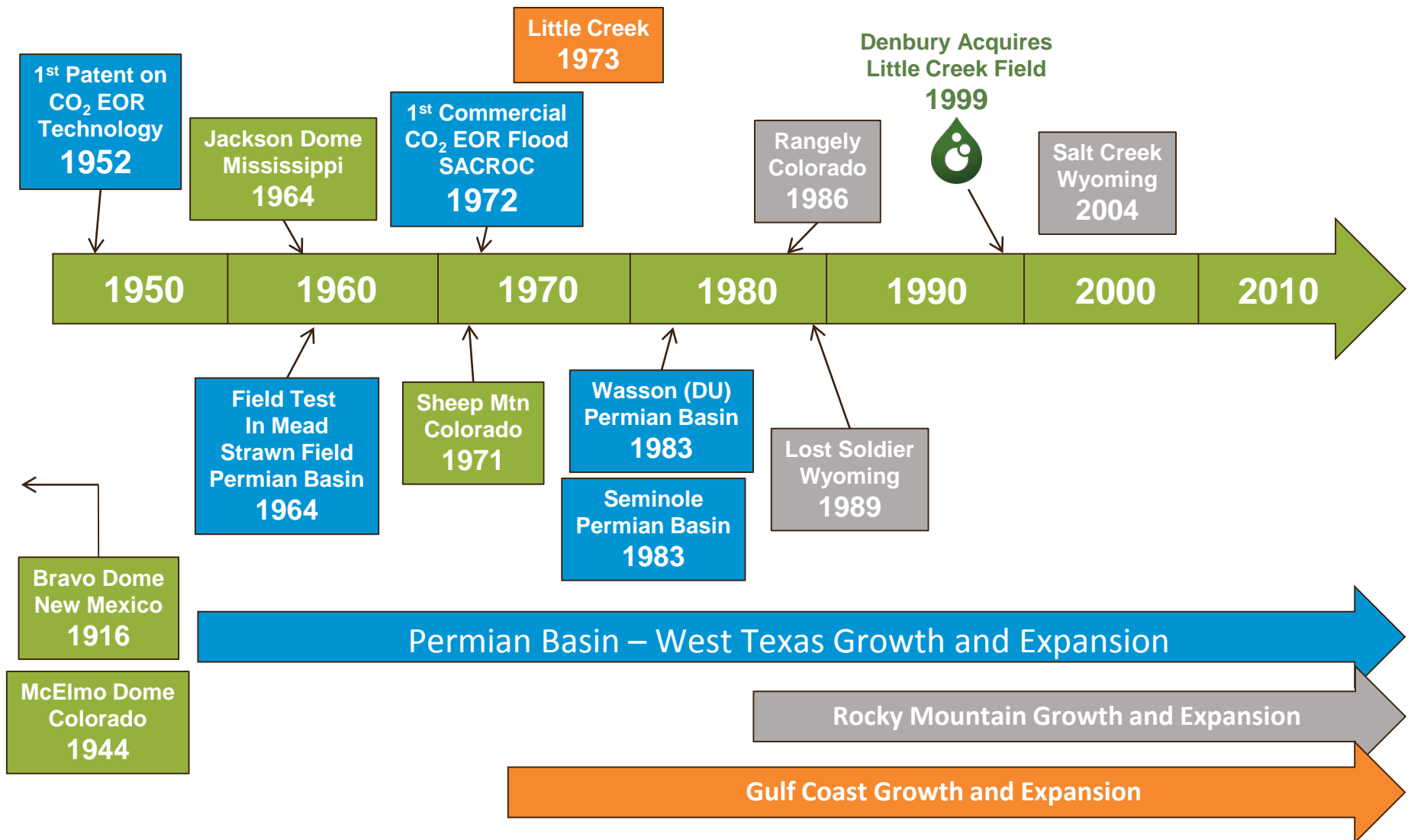
Field	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16
Mature area ⁽¹⁾	13,803	11,817	10,801	11,170	10,946	10,403	10,830	9,666	9,415
Delhi ⁽²⁾	5,149	4,340	3,551	3,623	3,676	3,898	3,688	3,971	3,996
Hastings	3,984	4,777	4,694	5,350	5,114	5,082	5,061	5,068	4,972
Heidelberg	4,466	5,707	6,027	5,885	5,600	5,635	5,785	5,346	5,246
Oyster Bayou	2,968	4,683	5,861	5,936	5,962	5,831	5,898	5,494	5,088
Tinsley	8,051	8,507	8,928	8,740	7,311	7,522	8,119	7,899	7,335
Bell Creek	56	1,248	1,965	1,880	2,225	2,806	2,221	3,020	3,160
Total tertiary production	38,477	41,079	41,827	42,584	40,834	41,177	41,602	40,464	39,212
Gulf Coast non-tertiary	10,332	9,669	9,257	8,610	8,946	9,070	8,970	7,675	5,840
Cedar Creek Anticline	16,572	18,834	18,522	18,089	17,515	17,875	17,997	17,778	16,325
Other Rockies non-tertiary	4,862	4,850	4,750	4,433	4,115	3,880	4,292	3,434	3,129
Total non-tertiary production	31,766	33,353	32,529	31,132	30,576	30,825	31,259	28,887	25,294
Total production	70,243	74,432	74,356	73,716	71,410	72,002	72,861	69,351	64,506
Williston assets ⁽³⁾	(1,876)	(1,744)	(1,643)	(1,561)	(1,522)	(1,473)	(1,549)	(1,364)	(1,267)
Continuing production	68,367	72,688	72,713	72,155	69,888	70,529	71,312	67,987	63,239

1) Mature area includes Brookhaven, Cranfield, Eucutta, Little Creek, Lockhart Crossing, Mallalieu, Martinville, McComb, and Soso fields.

2) Beginning with the fourth quarter of 2014, average daily Delhi Field production amounts reflect the reversionary assignment of approximately 25% of our interest in that field effective November 1, 2014.

3) Includes non-tertiary production in the Rocky Mountain region related to the sale of remaining non-core assets in the Williston Basin of North Dakota and Montana, expected to close in the third quarter of 2016.

CO₂ EOR – A Brief History



Hastings Field



Hastings Field



Hastings Field



Hastings Field



Hastings Field



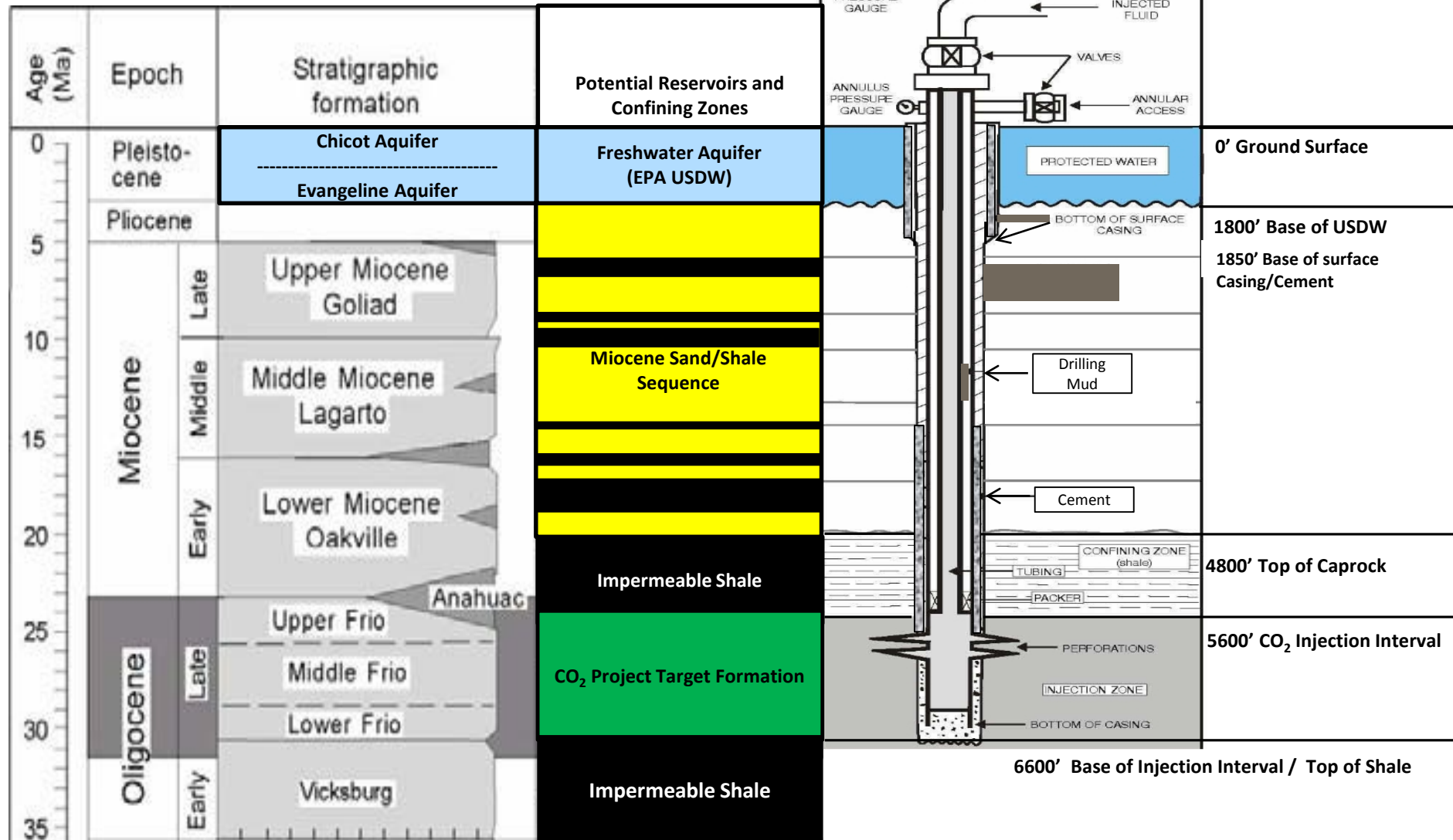
Hastings Field



Hastings Field



Southeast Texas CO₂ Project



Federal Government Determines CO₂ is a Pollutant

Under Clean Air Act and Massachusetts vs. EPA (2007)

» The atmospheric release of Greenhouse Gases (CO₂)

“fit well within the [Clean Air] Act’s ... definition of air pollutant”

» 2009 EPA issues the “*Endangerment*” finding – prerequisite for implementing GHG emission standards

» EPA issued the “*Tailoring Rule*” in 2010; a phased-in approach for GHG emissions for stationary sources and Title V operating permitting

» As a regulated New Source Review pollutant (NSR), CO₂ become subject to requirements that major emitters apply “Best Available Control Technology” (BACT); in 2011 EPA issued guidance discussing emission control technologies that should be evaluated by permitting authorities on applying the BACT requirement

- Under Federal Law, CO₂ is now a regulated air pollutant for all major emitters
- EPA determines CCS to be a pollution control technology for Greenhouse CO₂
- EPA recognized a CO₂ pipeline as a “main component” of CCS Control System

Federal Government Determines CO₂ is a Pollutant

- » **2012 U.S. Court of Appeals D.C. Circuit rules EPA was “*unambiguously correct*” in its effort to address global warming through regulatory programs**
- » **2013 Supreme Court agrees to hear if prior legal determination in MA vs. EPA as applied to mobile sources can be extended to stationary sources governed under separate programs**
- » **2014 US Supreme Court substantially upholds EPA GHG regulatory authority under the CAA. EPA may not treat GHG’s as an air pollutant for purposes of determining whether it is a major source required to obtain a PSD or a Title V permit; however, PSD permits that are otherwise required may continue to require limitations on GHG’s based on BACT**

U.S. Federal Regulation Distinguishes Role of CO₂ EOR⁽¹⁾

» **Geologic storage of CO₂ can continue to be permitted under the UIC Class II program**

“CO₂ storage associated with Class II wells is a common occurrence, and CO₂ can be safely stored where injected through Class II-permitted wells for the purpose of oil or gas-related recovery.”

» **Use of anthropogenic CO₂ in ER operations does not necessitate a Class VI permit**

“ER operations can continue to be permitted as Class II wells, regardless of the source of CO₂. An owner or operator of an ER operation can switch from using a natural source to an anthropogenic source of CO₂ without triggering the need for a Class VI permit.”

» **Class VI site closure requirements are not required for Class II CO₂ injection operations**

“The most direct indicator of increased risk to USDW’s is increased pressure in the injection zone related to the significant storage of CO₂. Increases in pressure with the potential to impact USDWs should first be addressed using tools within the Class II program. Transition to Class VI should only be considered if the Class II tools are insufficient to manage the increased risk.”

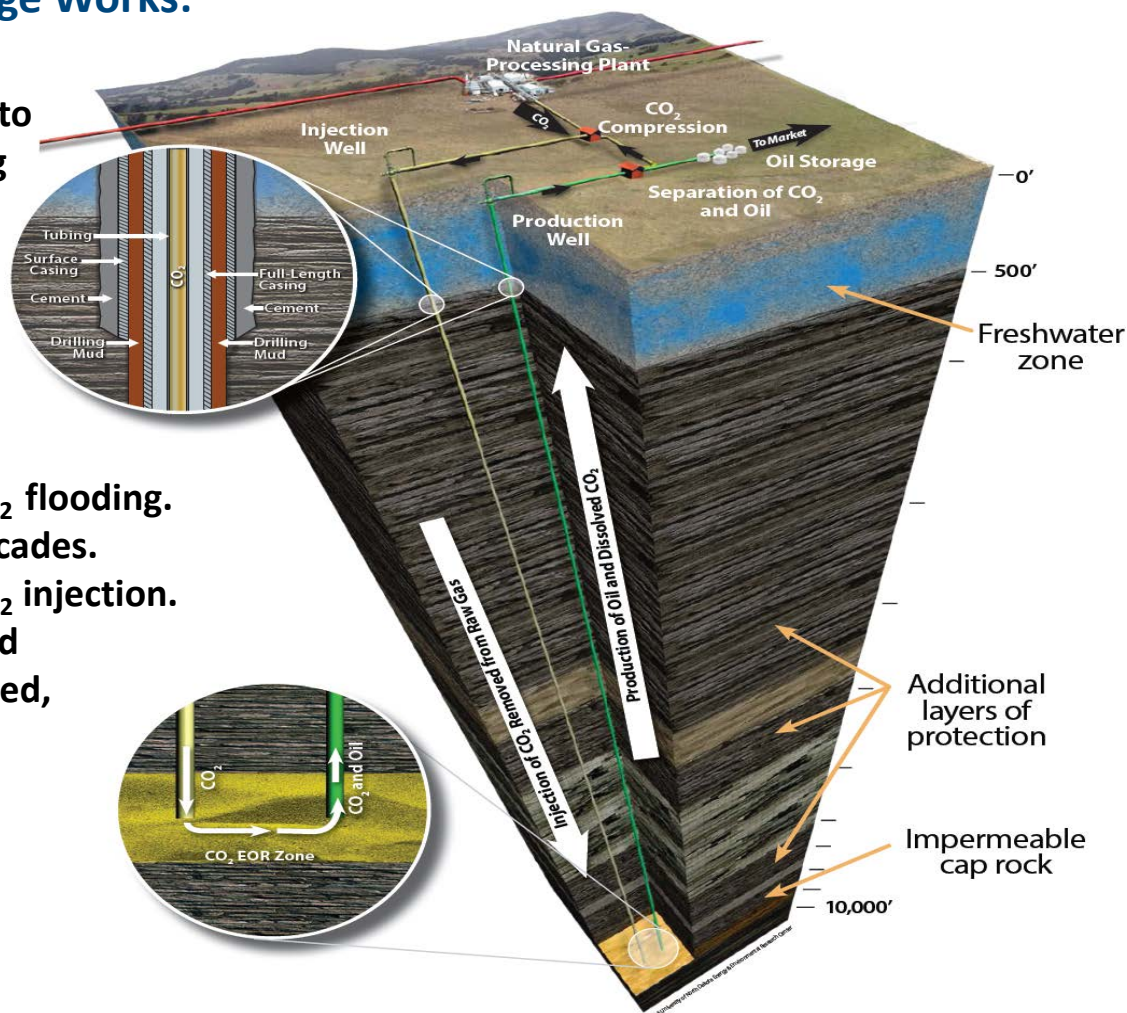
(1) EPA Office of Ground Water and Drinking Water Memorandum, April 2015

CO₂ EOR Associated Storage Incidental to Hydrocarbon Recovery

How CO₂ EOR and Associated Storage Works:

When CO₂ comes into contact with oil, a significant portion of the CO₂ dissolves into the oil, reducing oil viscosity and increasing the oils mobility. This, combined with the increased pressure, can result in increased oil production rates as well as an extension of the operational lifetime of the oil reservoir.

In an oil field, this EOR method is called CO₂ flooding. CO₂ floods are designed to be active for decades. Over the years there are many cycles of CO₂ injection. With each cycle, another portion of injected CO₂ becomes permanently trapped, or stored, in the oil reservoir. As a result of ongoing CO₂ EOR projects since the 1970s, hundreds of millions of tons of CO₂ are now permanently contained in oil fields.



Associated Storage of CO₂ is Incidental to EOR

- » Mineral leases and unit operating agreements do not convey some freestanding right to “storage space” or “pore space” for use by others not the operator
- » The authorized and primary purpose of injecting CO₂ in an EOR operation is the recovery of oil
- » Active oilfields are not CO₂ storage sites unless you “opt in”
- » SDWA and CAA rules today provide a “bright line” that allows CO₂ EOR to accept and utilize anthropogenic CO₂ (except CPP CO₂)

Associated Storage of CO₂ Incidental to EOR Vs. Dedicated Capture & Storage

BASE CASE

- Single gasification project emitting 200 MMcf/d of CO₂
- 30 year life
- Total CO₂ Emissions : 2.2 Tcf of CO₂

ASSOCIATED STORAGE OF CO₂ INCIDENTAL TO ENHANCED OIL RECOVERY OPERATIONS

A. Oil Field Example (approximate values)

- 6,500'
- Reservoir Pressure: 3,000 psi
- Areal Extent: 20,000 acres
- Max CO₂ Utilization: 1.6 Tcf

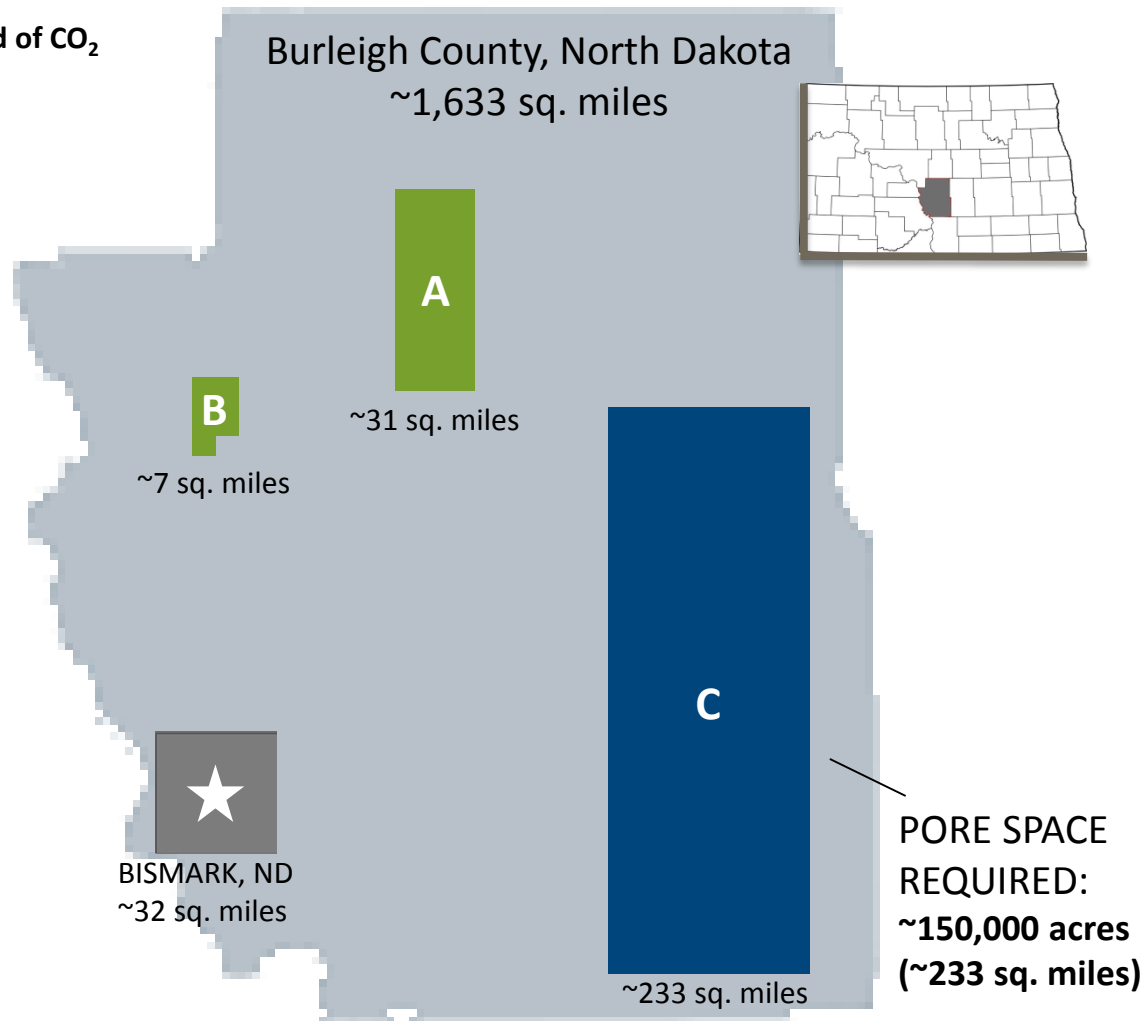
B. Oil Field Example (approximate values)

- 5,500'
- Reservoir Pressure: 2,500 psi
- Areal Extent: 4,600 acres
- Max CO₂ Utilization: 1.0 Tcf

DEDICATED CARBON CAPTURE & STORAGE SITE – SALINE EXAMPLE

C. Saline Reservoir (approximate values)

- CO₂ to be sequestered: 2.2 Tcf
- 6,500'
- Reservoir Pressure: 3,000 psi
- Thickness: 125'
- Porosity: 20%
- Percent of pore space utilized: 4%



Carbon Pollution Standards/Clean Power Plan

EPA Final Rule and Plan Creates Obstacles for EOR

» **Conflicting objectives of resource conservation and waste disposal**

- Subpart RR will transform EOR operations from resource recovery operations to waste disposal operations

» **Subpart RR compliance will conflict with state mandates to conserve natural resources, prevent waste and protect correlative rights**

- Classifying CO₂ as a waste will preclude future timely access to any future technologies and access to the remaining oil at the end of EOR operations

» **Subpart RR reporting is a vehicle for litigation and substantive regulation under the yet undefined Monitoring, Reporting and Verification (MRV) plans**

- CO₂ injected as a waste will require the operator to obtain approvals by the EPA for a MRV plan. The MRV plans are open for public comment, debate and litigation
- The EPA will control MRV plan not the oil operator or the developer of the generating project

45Q CCS Tax Credits

» Provides for \$10/metric ton credit for CO₂

- Captured by the taxpayer at an industrial facility;
- Used as a tertiary injectant in an enhanced oil or gas recovery project; and
- Disposed of by the taxpayer in secure geological storage

Not usable in EOR unless amended

Resource Conservation Recovery Act (RCRA)

- » **Potential application to CO₂ streams being regulated as solid waste**
- » **EPA CO₂ exemption – had to declare CO₂ a solid waste to exempt it**
- » **Environmental groups have sued EPA to develop oilfield waste regulations under Subtitle D of RCRA and bypass the E&P exemption under Subtitle C**

Injection of CO₂ for enhanced oil recovery is NOT waste disposal

Denbury is not a CO₂ waste disposal company

Texas Adopts CO₂ Management Rules

ADOPTED RULES

Adopted rules include new rules, amendments to existing rules, and repeals of existing rules. A rule adopted by a state agency takes effect 20 days after the date on which it is filed with the Secretary of State unless a later date is required by statute or specified in the rule (Government Code, §2001.036). If a rule is adopted without change to the text of the proposed rule, then the *Texas Register* does not republish the rule text here. If a rule is adopted with change to the text of the proposed rule, then the final rule text is included here. The final rule text will appear in the Texas Administrative Code on the effective date.

TITLE 16. ECONOMIC REGULATION

PART 1. RAILROAD COMMISSION OF TEXAS

CHAPTER 5. CARBON DIOXIDE (CO₂)

SUBCHAPTER C. CERTIFICATION OF GEOLOGIC STORAGE OF ANTHROPOGENIC CARBON DIOXIDE (CO₂) INCIDENTAL TO ENHANCED RECOVERY OF OIL, GAS, OR GEOTHERMAL RESOURCES

16 TAC §§5.301 - 5.308

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