Denbury

PURE Denbury

MT Governor's Sage-Grouse Advisory Council Meeting

June 25, 2013

NYSE: DNR
Denbury.com

About 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 statements may relate to, among other things, forecasted capital expenditures, drilling activity, completion of acquisitions or reserves or future production attributable to them, development activities, timing of CO_2 injections and initial production response in tertiary flooding projects, estimated costs, production rates and volumes or forecasts thereof, hydrocarbon reserve quantities and values, CO_2 reserves, helium reserves, potential reserves from tertiary operations, future hydrocarbon prices or assumptions, liquidity, cash flows, availability of capital, borrowing capacity, finding costs, rates of return, overall economics, net asset values, estimates of potential or recoverable reserves and anticipated production growth rates in our CO_2 models, or estimated production in 2013 and future production and expenditure estimates, and availability and cost of equipment and services. These forward-looking statements are generally accompanied by words such as “estimated”, “preliminary”, “projected”, “potential”, “anticipated”, “forecasted” or other words that convey the uncertainty of future events or outcomes. These statements are based on management’s current plans and assumptions and are subject to a number of risks and uncertainties as further outlined in our most recent Form 10-K and Form 10-Q filed with the SEC. Therefore, the actual results may differ materially from the expectations, estimates or assumptions expressed in or implied by any forward-looking statement made by or on behalf of the Company.

Cautionary Note to U.S. Investors – Current SEC rules regarding oil and gas reserve 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, 2012 were estimated by DeGolyer & MacNaughton, an independent petroleum engineering firm. In this presentation, we make reference to probable and possible reserves, some of which have been prepared by our independent engineers and some of which have been prepared by Denbury’s internal staff of engineers. In this presentation, we also refer to estimates of original oil in place, resource “potential” 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 reserves 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.

Objectives

- Who is Denbury
- EOR Process and Surface Facilities
- Benefits of Enhanced Oil Recovery (EOR)
- Pipeline Construction Reclamation
- Environmental Constraints (Sage Grouse)
- COT Risk and Mitigations
- Hayden-Wing Associates CCA Sage-Grouse Study (2007-2013)
- Q&A

A Different Kind of Oil Company

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Proven Process

- CO_2 EOR is one of the most efficient tertiary oil recovery methods
- 29% compound annual growth rate (CAGR) in our EOR production since 1999
- We have produced over 90 million barrels (gross) of oil from CO_2 EOR to date

Unique Strategy

- We acquire mature oil fields and recover oil using carbon dioxide (CO_2)
- Competitive advantage: strategic CO_2 supply, over 1,100 miles of CO_2 pipelines and a large inventory of mature oil fields

Repeatable Growth

- We anticipate a decade of low teens annual EOR production growth
- Over 1 billion barrels of potential oil reserves

Environmentally Responsible

- We store CO_2 captured from industrial facilities, resulting in net carbon reduction
- By developing existing oil fields, we are disturbing fewer new habitats

Value Creation

- Highest operating margins and capital efficiency in peer group
- Within the next 5 years we anticipate a growing wedge of free cash flow

Denbury at a Glance

		Pro forma[1]
Total 3P Reserves (12/31/12)	~1.1 BBOE	~1.2 BBOE
% Oil Production (1Q13)	93%	~94%[2]
Total Daily Production – BOE/d (1Q13)	63,823	~74,323[2]
Proved PV-10 (12/31/12) $94.71 NYMEX Oil Price	$9.9 billion	$11.0 billion
Market Cap (5/30/13)	$7.0 billion	
Total Net Debt (3/31/13)[3]	$3.2 billion	
CO_2 Supply 3P Reserves (12/31/12)	~17 Tcf	
CO_2 Pipelines Operated or Controlled	~1,100 miles	
Credit Facility Availability (3/31/13)	~$1.3 billion	

(1) Pro forma for CCA acquisition that closed on 3/27/13.
(2) Pro forma production includes a full quarter's contribution in 1Q13 from acquired CCA properties of approximately 10,500 BOE/d.
(3) As of 3/31/13, we had ~$275 million of borrowings outstanding under our $1.6 billion bank credit facility, our cash and cash equivalents totaled ~$60 million and restricted cash totaled $50 million.

Our Two CO_2 EOR Target Areas: Up to 10 Billion Barrels Recoverable with CO_2 EOR

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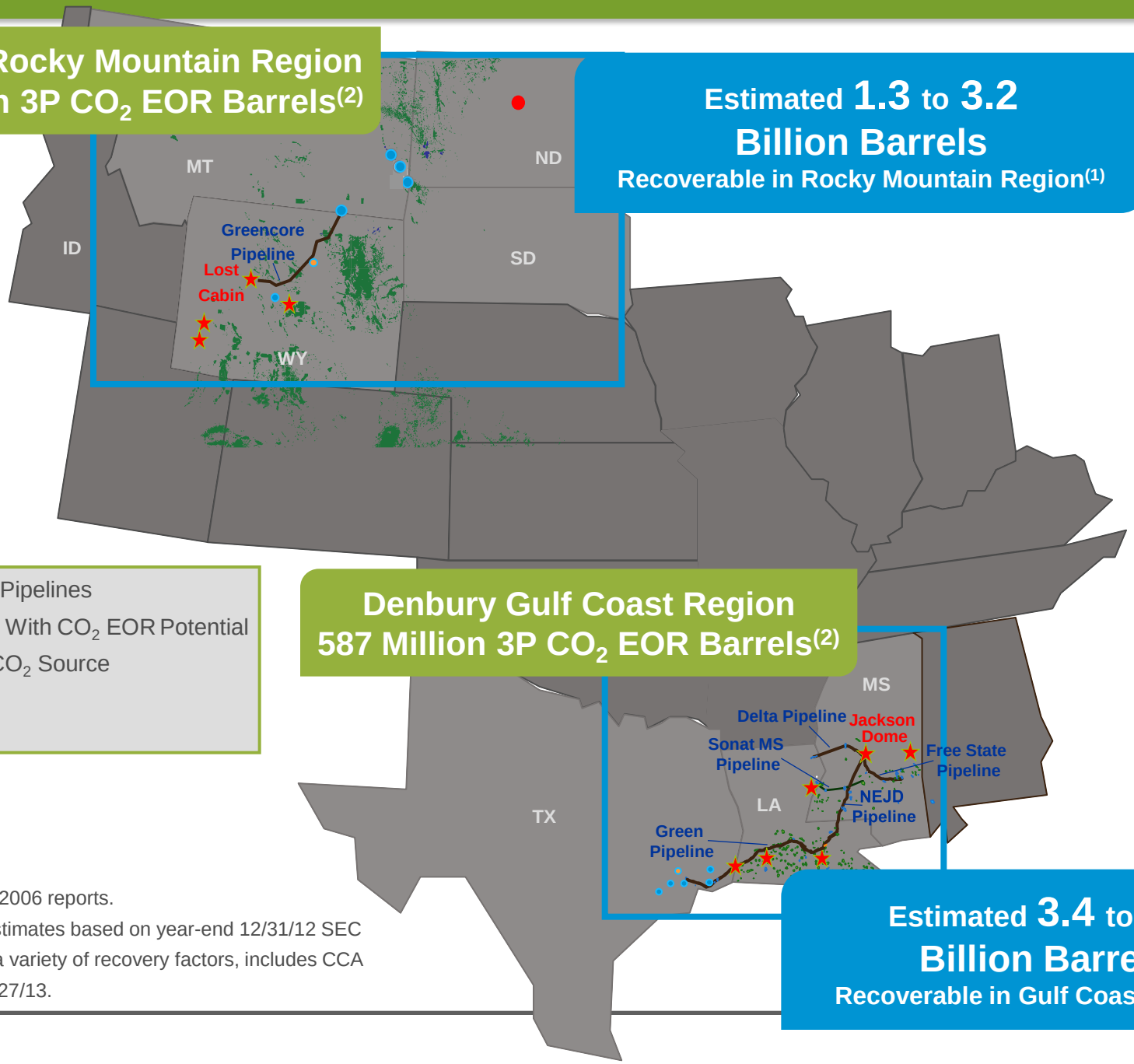
Denbury Rocky Mountain Region
331 Million 3P CO_2 EOR Barrels(2)

Estimated 1.3 to 3.2 Billion Barrels
Recoverable in Rocky Mountain Region(1)



Denbury Gulf Coast Region
587 Million 3P CO_2 EOR Barrels(2)

- Existing Denbury CO_2 Pipelines
- Denbury owned Fields With CO_2 EOR Potential
- Existing or Proposed CO_2 Source Owned or Contracted
- Other CO_2 Sources

Estimated 3.4 to 7.5 Billion Barrels
Recoverable in Gulf Coast Region(1)

(1) Source: DOE 2005 and 2006 reports.
(2) 3P tertiary oil reserve estimates based on year-end 12/31/12 SEC proved reserves, based on a variety of recovery factors, includes CCA acquisition that closed on 3/27/13.

CO_2 EOR in Rocky Mountain Region:

Control of CO_2 Sources & Pipeline Infrastructure Provides a Strategic Advantage

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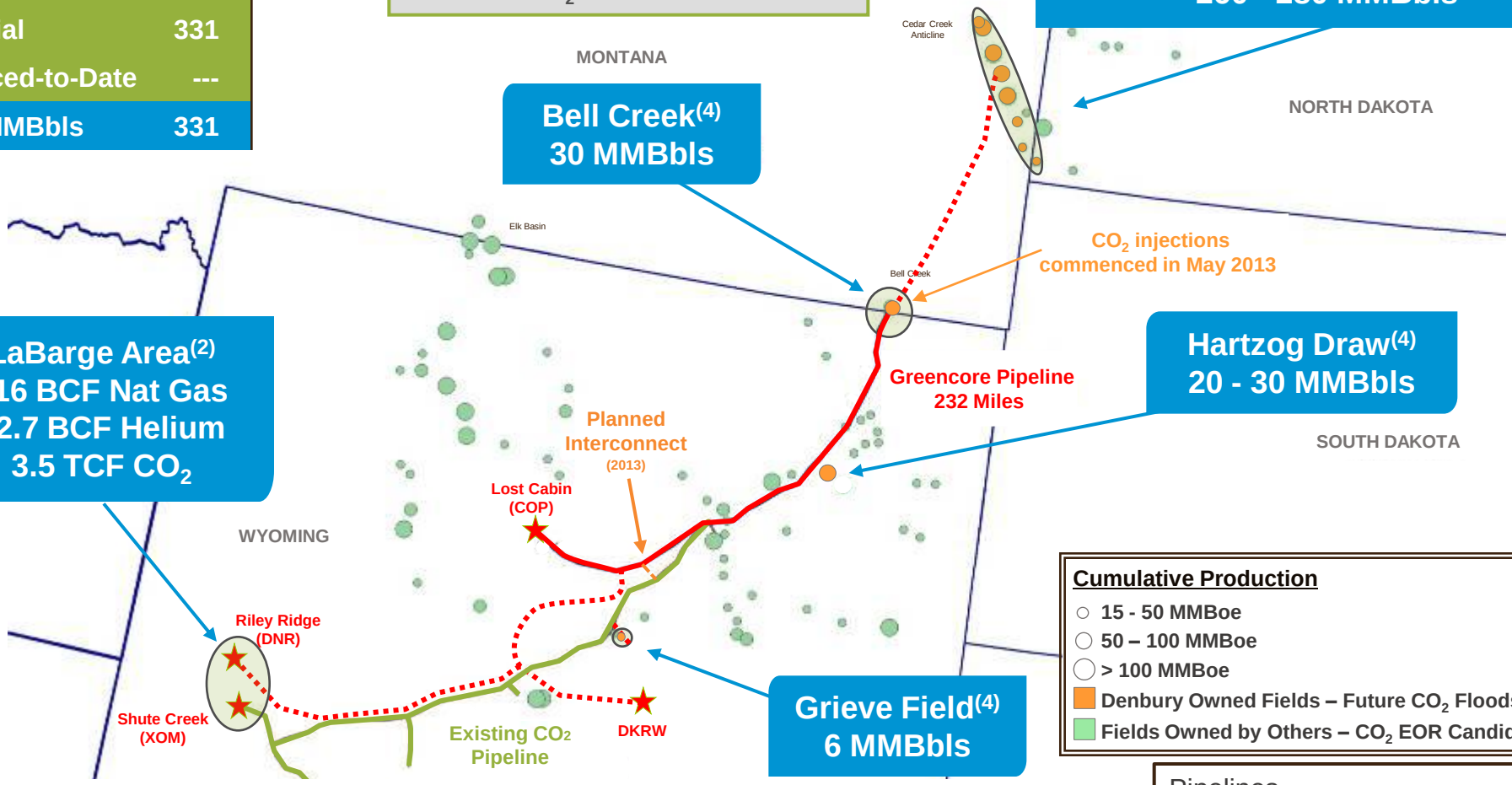
Summary[1]	
Proved	---
Potential	331
Produced-to-Date	---
Total MMBbls	331

CO_2 Sources

- ★ Existing or Proposed CO_2 Source Owned or Contracted
- ● Other CO_2 Sources

Cedar Creek Anticline Area

Existing CCA Fields[1]	200 MMBbls
CCA Acquisition[3]	60-80 MMBbls
	260 - 280 MMBbls



Cumulative Production

- ○ 15 - 50 MMBoe
- ○ 50 – 100 MMBoe
- ○ > 100 MMBoe
- Denbury Owned Fields – Future CO_2 Floods
- Fields Owned by Others – CO_2 EOR Candidates

Pipelines

- Denbury Pipelines in Process
- Denbury Proposed Pipelines
- Pipelines Owned by Others

(1) Probable and possible tertiary reserve estimates as of 12/31/12, using mid-point of ranges, based on a variety of recovery factors.
(2) Proved reserves as of 12/31/12 and are presented on a gross working interest or 8/8ths basis, except those reserves recently acquired from ExxonMobil which are reported net to Denbury's interest.
(3) Purchased from ConocoPhillips in a transaction that closed on 3/27/13.
(4) Field reserves shown are estimated total potential tertiary reserves, including cumulative tertiary production through 12/31/12.

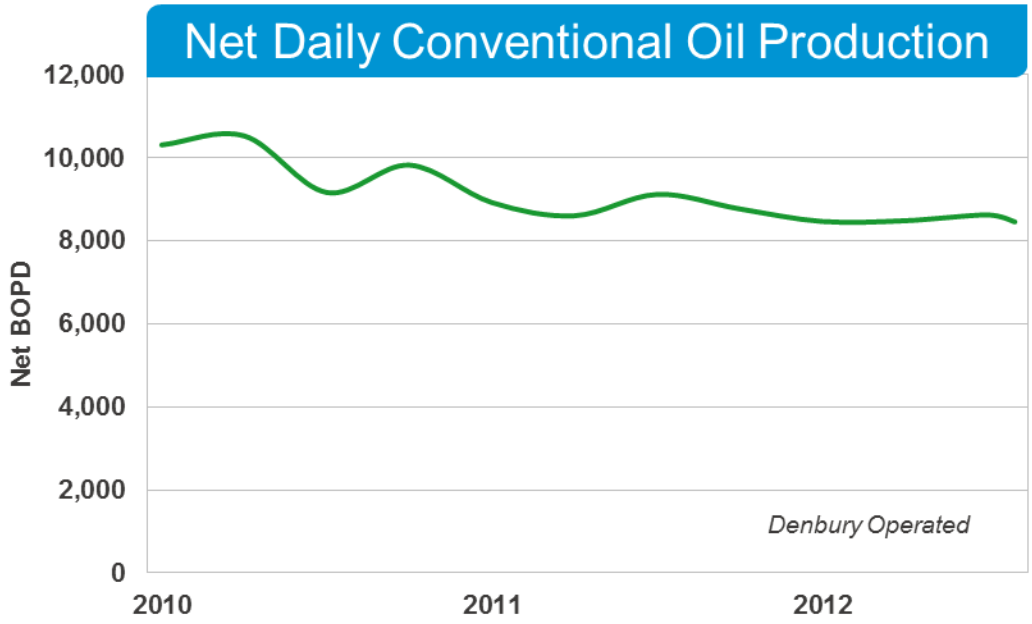
Strong Commitment to Montana

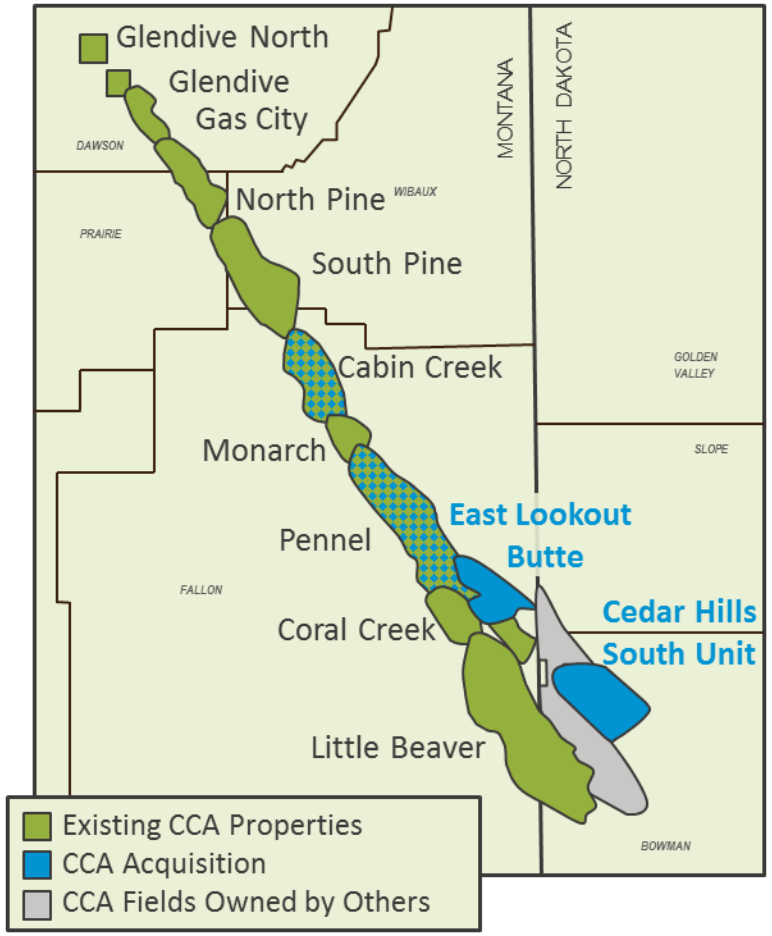
Categories	2012
Capital Investment	~$90 Million
Annual Lease Operating Expenditures	~$70 Million
Montana Employment (as of 12/31/12)	88 Employees
Annual Payroll	$10.4 Million
Average Annual Salary & Benefits	$118k
Annual Severance Taxes	~$45 Million
Annual Royalty Payments	~$52.3 Million
Average Daily Production (gross)	12,290 BOE/d

Cedar Creek Anticline

Improve Waterflood & Prepare for CO_2 Injection in 2017

- 2013 Capital Expenditures: ~ $115 MM
  - Improve waterfloods w/ well & facility work
  - Recompletions
  - Additional science for EOR
- Optimizing CO_2 EOR Development Plan
  - Possibility of doing a pilot in 2014





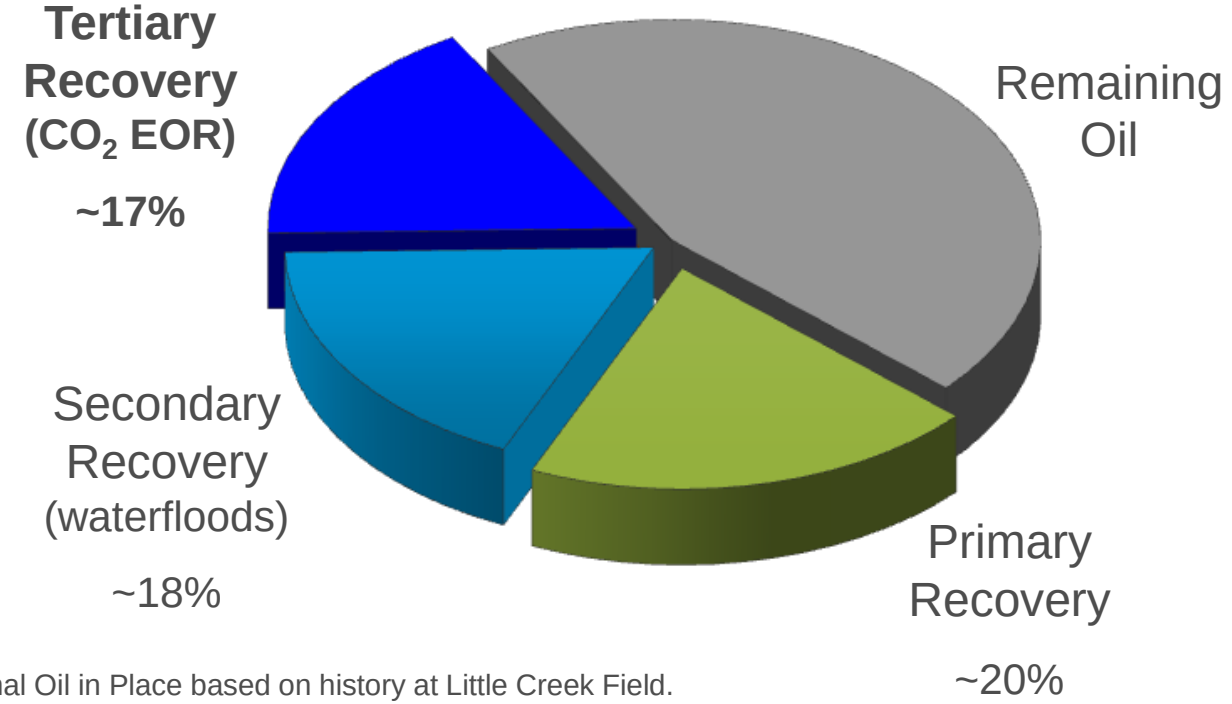
What is CO_2 EOR & How Much Oil Does It Recover?

Secure CO_2 Supply

Transport via Pipeline

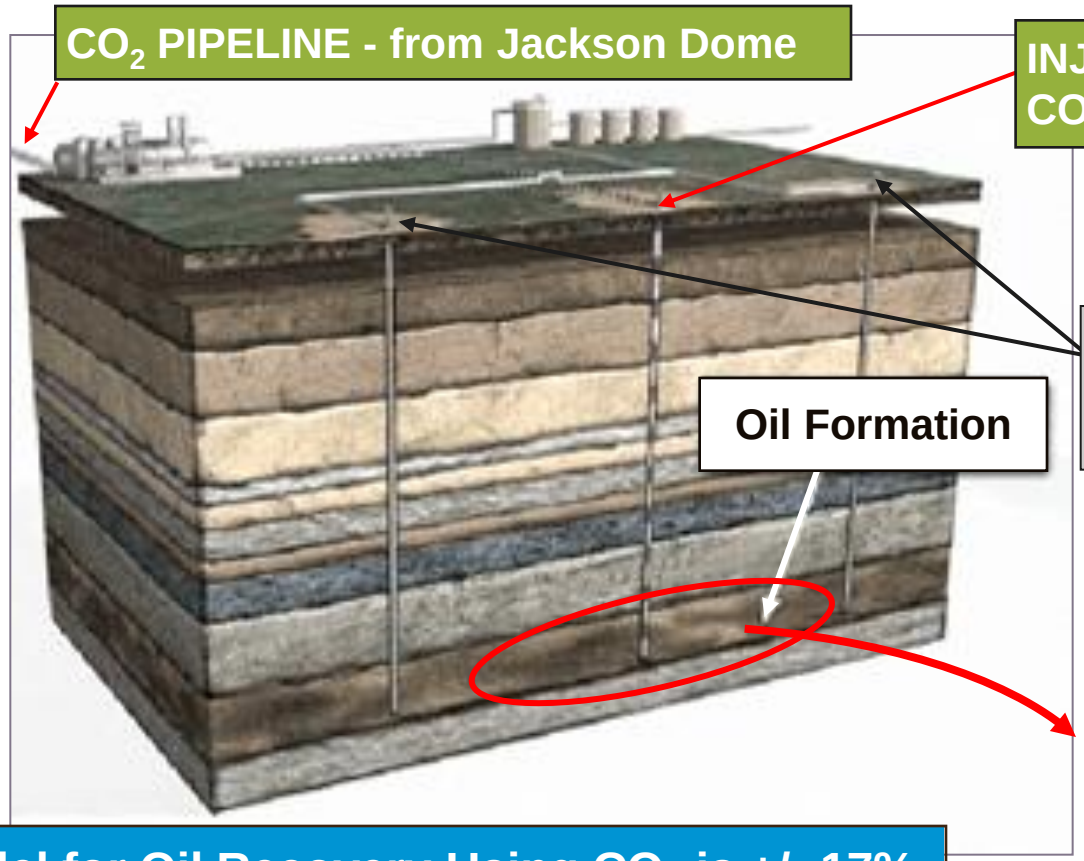
Inject into Oilfield

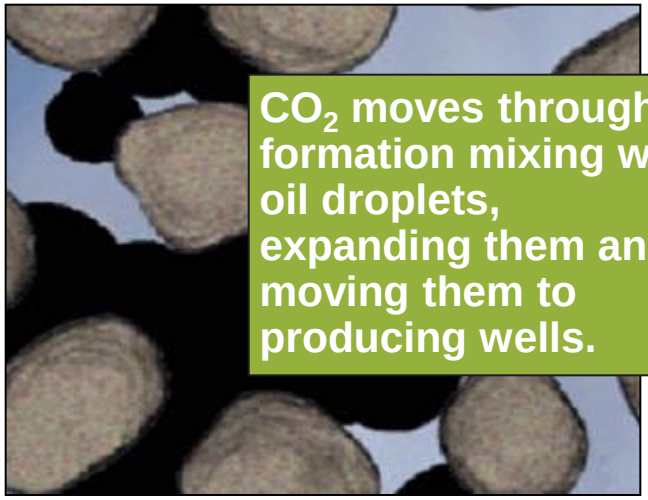
CO_2 EOR Delivers Almost as Much Production as Primary and Secondary Recovery[1]



(1) Recovery of Original Oil in Place based on history at Little Creek Field.

CO_2 Operations: Oil Recovery Process





Model for Oil Recovery Using CO_2 is +/- 17% of Original Oil in Place (Based on Little Creek)

Primary recovery = +/- 20%

Secondary recovery (waterfloods) **= +/- 18%**

Tertiary (CO_2) **= +/- 17%**

Basic EOR Process

Well → Test Site → EOR Facility

CO_2 Injector

CO_2-Driven Producer

CO_2 Injection Pumps

CO_2 Compressor

Equipment

Bell Creek Field – Start CO_2 EOR Production!

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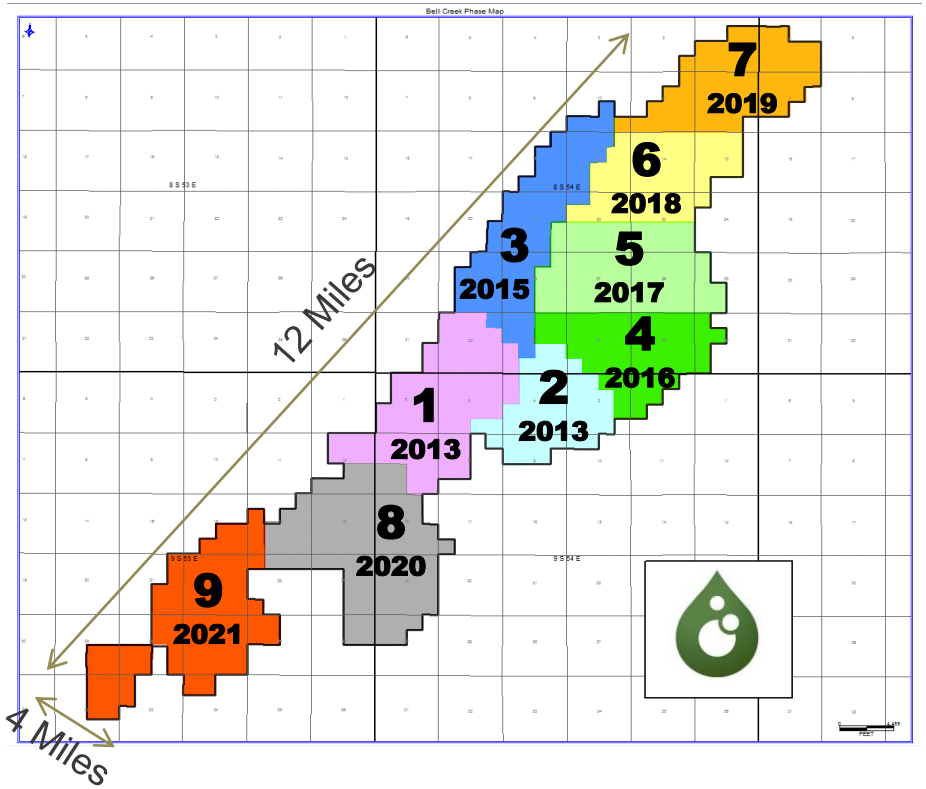
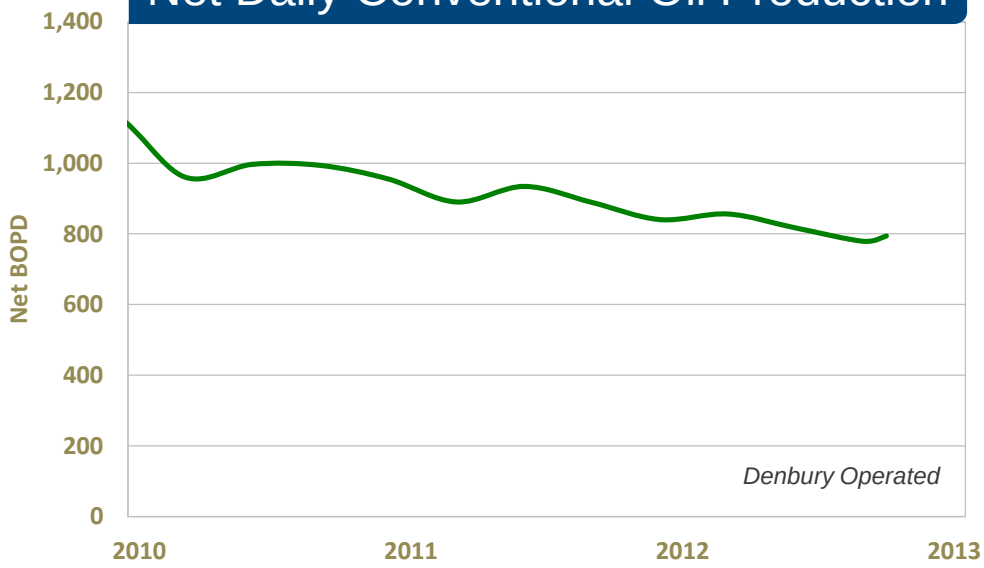
Bell Creek Development Phases



Net Daily Conventional Oil Production



Start CO_2 Injection/EOR Production

- 2013 Capital Expenditures: ~$100 MM
  - Install compression/facilities
  - Continue field development
- CO_2 Injection starts May 22, 2013
- CO_2 EOR oil production response ~ 3Q 2013

Bell Creek EOR Facility

Bell Creek Flow Line Construction

Why is CO_2 EOR our core focus?

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- **High Confidence of Oil Target**
  - Over 90 million barrels (gross) produced by Denbury to date
  - Net upward adjustments to reserves-to-date
- **CO_2 Flooding Recovers Oil (CO_2 ♥'s Crude Oil)**
  - First commercial CO_2 EOR flood started production in 1972
  - Over 1.5 billion barrels produced to date in the US[1]
  - Current estimated production in the US is >280 MBbls/d[2]
- **A Very Repeatable Process with a lot of Running Room**
  - Up to 10 Billion Barrels Recoverable with CO_2 EOR in our two operating areas
  - Over 900 Million Barrels (net) of CO_2 EOR potential in our portfolio today

(1) Oil & Gas Journal, Dec. 7, 2009
(2) Oil & Gas Journal, July 2, 2012

SUMMARY: EOR is Win-Win for States & Industry

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Good for Montana

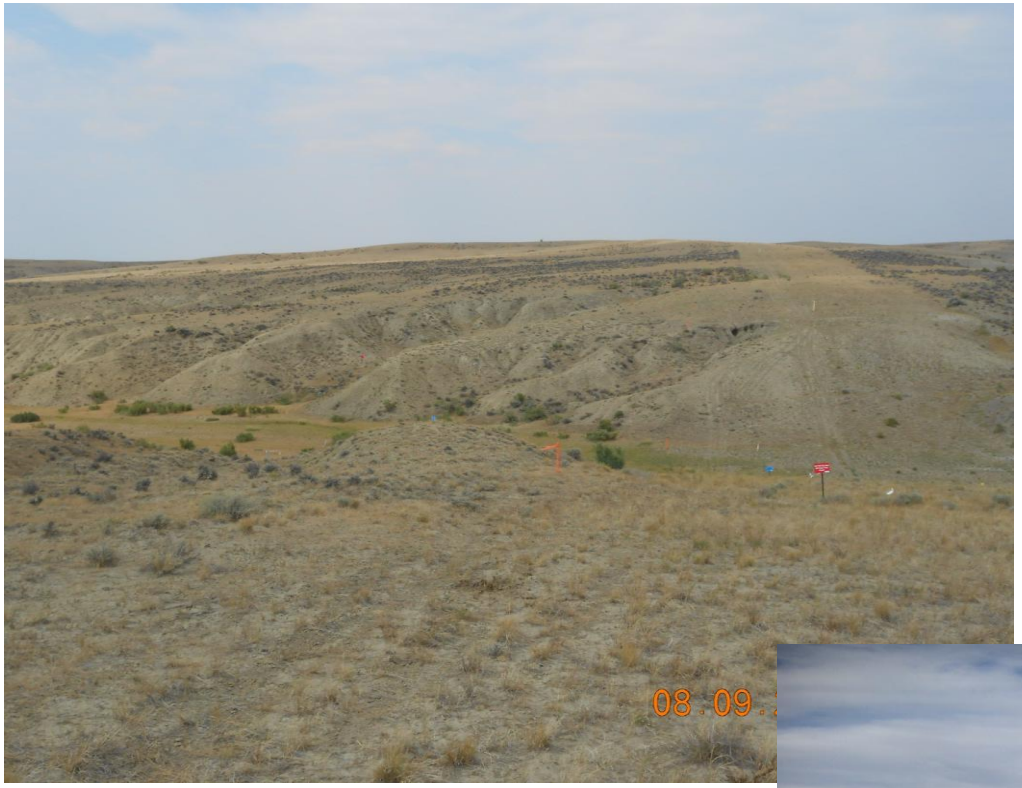
- First Montana CO_2 EOR production is expected to begin late 2013 at Bell Creek
- Creates jobs
- Improves the local economies
- Provides a method to safely sequester industrial CO_2 emissions
- Montana has over 230 million barrels of oil recovery potential from CO_2 EOR in current Denbury portfolio, and over 600 million barrels of total oil potential in the state[1]

Good for Industry

- Profitable business plan
- High operating margin; long-lived production
- Utilizes existing, old oil fields and rejuvenates them
- Lower risk, proven technology

(1) NETL, Carbon Dioxide Enhanced Oil Recovery, October 2009

Greencore Pipeline Construction



Greencore Pipeline Construction

Greencore Pipeline Construction

Environmental Survey/Constraints Requirements

Greater Sage Grouse

- 3 rounds of surveys separated by 7-10 days (Apr 1 thru May 10)
  Typically 2 aerial, one pedestrian survey to conduct lek counts and search for new leks, identifying the number of males and females on each lek.
- Core Area – re-routes around no surface occupancy (NSO) areas
- Constructing outside nesting season
- No construction in winter concentration areas

Surface-Use Stipulations

Species	Activity	Timing	Buffer Radius	Comments
Sage Grouse	Lek Site	Year-round	0.25 mile NSO	
Sage Grouse	Nesting	Mar 1 - June 15	2-mile TLS	
Sage Grouse	Wintering	Dec 1 - Mar 31	To Be Determined (TBD)	Timing restriction applies to winter concentration areas, TBD with agencies.
Sage Grouse	Preliminary Priority Habitat (PPH)	Year-round	TBD	Other Conditions Of Approval (COA's) will apply if project proposed within PPH for sage grouse
Sharp-tailed Grouse	Lek Site	Year-round	0.25 mile NSO	
Sharp-tailed Grouse	Nesting	Mar 1 - June 15	2-mile TLS	

COT Risk and Mitigation

RISK: Noise Abatement

MITIGATION:

- Denbury Facilities are all in buildings so we believe noise will not be an issue to sage-grouse.
- There will only be a well head at the well locations so noise will not be an issue.

COT Risk and Mitigation

RISK: Disruptions During Construction

MITIGATION:

- Pipeline construction is temporary disturbance.
- Small footprint, restricted to existing well pad for EOR well facilities.
- Construction timing is designed to avoid sensitive seasons and parts of the day.
- BLM oversight throughout construction.

COT Risk and Mitigation

RISK: Invasive species on ROWs

MITIGATION:

- ROW reclaimed and seeded with blended grass/shrub/sage brush seed as recommended by BLM, US Forest Service, Soil Conservation District and landowner.

- If invasive species are identified by agencies, landowners, or during environmental inspections we address the issue. In addition, BLM completes inspections for proper re-vegetation and requires remediation if problems are recognized.

Corporate Information

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