Company Snapshot

Denbury is the largest oil and gas producer in the State of Mississippi

Denbury currently operates twelve (12) active CO2 EOR projects in Mississippi, one (1) project in Louisiana and will initiate up to two (2) new additional projects in 2009

Denbury currently injects approximately 700 MMcf (+/-41,000 tons) of CO2 per day into the thirteen (13) active projects

Based on our injection volumes we believe we are the largest injector of additional CO2 on a daily basis in the U.S.

Denbury currently operates approximately 440 miles of CO2 pipelines and is in the process of constructing an additional +/-320 miles of CO2 pipelines
US CO₂ Pipelines vs Proposed Gasification Projects

Gasification Projects

Existing CO₂ Pipelines
Key to Success: CO₂ Pipeline Network

- CO₂ pipelines operate at higher pressures (2000+ psi) than oil or natural gas pipelines

- CO₂ EOR projects require constant supplies of relatively pure CO₂ (+/- 95%)

- Denbury’s proposed CO₂ pipeline network will connect to both natural and man-made sources, providing flexibility to manage daily supply and demand imbalances
## Green Pipeline Project

### Projected Costs & Timing (Millions)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
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<tr>
<td>Right-of-way</td>
<td>$12</td>
<td>$58</td>
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<td>Pipe &amp; Materials</td>
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<tr>
<td>Engineering</td>
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<td>11</td>
<td>48</td>
<td>13</td>
<td>73</td>
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<tr>
<td>Installation</td>
<td>--</td>
<td>26</td>
<td>283</td>
<td>63</td>
<td>372</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$13</strong></td>
<td><strong>$202</strong></td>
<td><strong>$430</strong></td>
<td><strong>$85</strong></td>
<td><strong>$730</strong></td>
</tr>
</tbody>
</table>

*Denbury Resources Inc.*
Anthropogenic CO$_2$ Issues

Anthropogenic Sources

• Existing Sources
  • Either low volumes < 30MMcf/d (ammonia, SMRs)
  • Too expensive (power plants, cement plants, etc)

• Future Sources
  • Gasification projects need access to capital
  • Capital markets are essentially closed

• Existing and Future Sources
  • Need assurance that CO2 EOR will qualify as permanent storage
Existing Anthropogenic Sources

Assumptions

- Capture from flue gas by amine
- 25 mile pipeline connects each source to major CO₂ pipeline
- Additional $2/MT for transport in major pipeline
- COE - $0.05/kWh for utilities and $0.06/kWh for others
- NG - $6/MMBtu HHV
- Coal - $1.5/MMBtu HHV
- Capital recovery factor – 14%/yr
Future Anthropogenic Sources

- Coal to SNG/H2
- Oxyfuel
- IGCC

Costs in \$/MT CO_2:
- $0
- $20
- $40
- $60
- $80

Denbury Resources Inc.
Current Incentives

Energy Improvement and Extension Act of 2008

- **SEC. 45Q. CREDIT FOR CARBON DIOXIDE SEQUESTRATION**
  - $20/ton for non-EOR Sequestration
  - $10/ton for man-made CO$_2$ utilized in CO2 EOR

- **SEC. 116. CERTAIN INCOME AND GAINS RELATING TO INDUSTRIAL SOURCE CARBON DIOXIDE TREATED AS QUALIFYING INCOME FOR PUBLICLY TRADED PARTNERSHIPS**
  - Majority of existing CO$_2$ pipelines are operated by PTPs
  - Majority of new pipeline construction is performed by PTPs

- **SEC. 43. Enhanced Oil Recovery Credit – (Obama Budget Plan would Repeal)**
  - 15% of Qualified Capital Investments
Regulatory Framework Exists for CO2 EOR and Sequestration

- Right to Inject CO₂ Exists under our Mineral Leases
- Injection Wells are Permitted Under Existing EPA UIC Regulations
- CO₂ Pipelines are Regulated by the DOT and OPS Under Existing Regulations
- Oil and Gas Operations are Regulated by State Regulators
- Geologic Description of Reservoirs are Well Understood
  - We know where the CO₂ will be
  - CO₂ EOR projects already perform significant MMV activities.
  - CO₂ EOR projects store CO₂ volumes from the start of injection
- The Only Regulatory Piece that is Missing is Post Injection Monitoring
  - Based on initial indications from regulatory workshops, the cost of post injection monitoring appears reasonable
  - Post injection monitoring stage for CO₂ EOR is 20 to 40 years into the future
The Future is Now

CO2 EOR Projects are Already Achieving “Next Generation” Results:

- A NETL report estimated CO2 storage levels in CO2 EOR projects based on projects using Water Alternating Gas (WAG) methods; Continuous injection, 100% CO2 (no water), stores almost double the CO2 of WAG methods
- Continuous injection CO2 EOR projects inject from 0.52 to 0.64 metric tons of CO2 for every recovered barrel of oil (which releases ~0.42 metric tons of CO2), storing between 24% and 52% more CO2 than the recovered oil will produce

Advancing U.S. Energy Independence:

- CO2 EOR can recover billions of barrels of identified oil from existing US oilfields, providing additional domestic energy production.
- The environmental impact of every barrel of recovered US oil could be offset by carbon capture and storage (CCS), versus no CO2 reduction for imported oil

Infrastructure for Future CCS Solutions:

- A CO2 pipeline network will enable large-scale CCS during enhanced oil recovery and in post-production utilization of underlying saline formations
- CO2 pipeline networks provide the basic infrastructure needed for development of carbon solutions for environmentally-sensitive industrial developments including innovative gasification projects that can produce, power, substitute natural gas, fertilizer and chemicals from plentiful U.S. natural resources
Summary

- Depending on Emission Source, Distance, Through-Put and Oil Price - CO₂ EOR can Cover All or a Portion of the Capture Costs

- CO₂ EOR Projects Can Provide the “Costs” of Transportation, and Sequestration

- Emission sources need regulatory certainty that anthropogenic CO₂ injected and stored in CO₂ EOR projects will qualify as permanent sequestration of their CO₂ emissions. (Offsets or Credits)

- CO₂ EOR is the Only CCS Method that can be Applied Now at Commercial Scale

- CO₂ EOR is the Only CCS Method that Generates Additional Domestic Energy in Addition to Capturing and Permanently Storing CO₂

Questions