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

Denbury currently operates twelve (12) active CO₂ enhanced oil recovery 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 floods

Based on our injection volumes we believe we are the largest injector of 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
**CO₂ Pipelines**

- 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%)
- CO₂ pipeline networks will connect to both natural and man-made sources, providing flexibility to manage daily supply and demand imbalances
## Green Pipeline Project

<table>
<thead>
<tr>
<th>Projected Costs &amp; Timing (Millions)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right-of-way</td>
<td>$12</td>
<td>$58</td>
<td>$17</td>
<td>$7</td>
<td>$94</td>
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<tr>
<td>Pipe &amp; Materials</td>
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<td>107</td>
<td>82</td>
<td>2</td>
<td>191</td>
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<tr>
<td>Engineering</td>
<td>1</td>
<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>$13</td>
<td>$202</td>
<td>$430</td>
<td>$85</td>
<td>$730</td>
</tr>
</tbody>
</table>
CO₂ Source Issues

- **Natural Sources**
  - Essentially Fully Subscribed
  - Geographically Limited
  - Supplies, generally adjusted for demand

- **Anthropogenic Sources**
  - Existing Sources
    - Either low volumes < 30MMcf/d (ammonia, SMRs), or
    - Too expensive (power plants, cement plants, etc)
  - Future Sources
    - Gasification projects need access to capital
    - Legislation needs to provide clarity that sequestration in CO2 EOR is an acceptable sequestration methodology
    - Capital markets appear to be opening up
  - Supplies will be constant regardless of demand
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

- Denbury Resources Inc.

- Future Anthropogenic Sources

- IGCC
- Oxyfuel
- Coal to SNG/H2

- Separation
- Compression
- Pipeline
- Uncertainty

$/MT CO₂

$0 $20 $40 $60 $80

Coal to SNG/H2

Oxyfuel

IGCC

$/MT CO₂
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 CO₂ utilized in EOR
  - **SEC. 116. CERTAIN INCOME AND GAINS RELATING TO INDUSTRIAL SOURCE CARBON DIOXIDE TREATED AS QUALIFYING INCOME FOR PUBLICLY TRADED PARTNERSHIPS**
    - Majority of existing CO₂ pipelines are operated by PTPs
    - Majority of new pipeline construction is performed by PTPs

- **SEC. 43. Enhanced Oil Recovery Credit (Obama Budget would Eliminate)**
  - 15% of Qualified Capital Investments
Regulatory Framework Exists for CO$_2$ EOR and Sequestration

- Right to Inject CO$_2$ Exists under our Mineral Leases
- Injection Wells are Permitted Under Existing EPA UIC Regulations
- CO$_2$ 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 CO$_2$ will be
- The Only Regulatory Piece 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 CO$_2$ EOR is 20 to 40 years into the future
Current Federal CCS Legislation

- **HB 2454 – Waxman-Markey**
  - Provides Incentives for first movers to capture CO$_2$
  - Fails to provide the necessary certainty CO$_2$ sources need to raise capital

- **S 1013 – Bingaman CCS Liability**
  - Provides long term liability coverage for the 10 CCS storage sites
  - Includes a funding mechanism based on the determination of the NPV of potential leakage

- **Common Theme(s)**
  - Legislation that lacks clarity on acceptable methods of dealing with CO$_2$ (“technology neutral”)
  - Leaves details to EPA or other federal agency to create
The Future is Now

- **Industry is Already Achieving “Next Generation” Results:**
  - The NETL report estimating current CO₂ storage levels was based on projects using Water Alternating Gas (WAG) methods; Gulf Coast operators use 100% CO₂ (no water), injecting and storing almost double the CO₂ of WAG methods.
  - Denbury’s current 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, and offers immediate production without additional exploration and development lead times.
  - 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:**
  - CO₂ pipeline networks 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 transportation fuels, power, substitute natural gas, fertilizer and chemicals from plentiful U.S. natural resources.