

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2017

OR

- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-12935



**DENBURY RESOURCES INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**20-0467835**

(I.R.S. Employer Identification No.)

**5320 Legacy Drive,  
Plano, TX**

(Address of principal executive offices)

**75024**

(Zip Code)

Registrant's telephone number, including area code:

**(972) 673-2000**

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Class**

**Outstanding at October 31, 2017**

Common Stock, \$.001 par value

402,170,359

**Denbury Resources Inc.**

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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

**Denbury Resources Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
(In thousands, except par value and share data)

	September 30, 2017	December 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 57	\$ 1,606
Accrued production receivable	121,346	124,936
Trade and other receivables, net	55,318	43,900
Derivative assets	60	—
Other current assets	10,811	10,684
Total current assets	187,592	181,126
<b>Property and equipment</b>		
Oil and natural gas properties (using full cost accounting)		
Proved properties	10,694,674	10,419,827
Unevaluated properties	957,060	927,819
CO <sub>2</sub> properties	1,190,190	1,188,467
Pipelines and plants	2,285,092	2,285,812
Other property and equipment	371,114	378,776
Less accumulated depletion, depreciation, amortization and impairment	(11,350,956)	(11,212,327)
Net property and equipment	4,147,174	3,988,374
Other assets	106,163	105,078
<b>Total assets</b>	<b>\$ 4,440,929</b>	<b>\$ 4,274,578</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 183,063	\$ 200,266
Oil and gas production payable	69,737	80,585
Derivative liabilities	16,746	69,279
Current maturities of long-term debt (including future interest payable of \$50,490 and \$50,349, respectively – see Note 3)	85,002	83,366
Total current liabilities	354,548	433,496
<b>Long-term liabilities</b>		
Long-term debt, net of current portion (including future interest payable of \$153,196 and \$178,476, respectively – see Note 3)	3,057,439	2,909,732
Asset retirement obligations	155,749	146,807
Derivative liabilities	4,263	—
Deferred tax liabilities, net	329,724	293,878
Other liabilities	21,759	22,217
Total long-term liabilities	3,568,934	3,372,634
<b>Commitments and contingencies (Note 7)</b>		
<b>Stockholders' equity</b>		
Preferred stock, \$.001 par value, 25,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$.001 par value, 600,000,000 shares authorized; 407,622,526 and 402,334,655 shares issued, respectively	408	402
Paid-in capital in excess of par	2,550,347	2,534,670
Accumulated deficit	(1,982,592)	(2,018,989)
Treasury stock, at cost, 5,382,584 and 3,906,877 shares, respectively	(50,716)	(47,635)
Total stockholders' equity	517,447	468,448
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,440,929</b>	<b>\$ 4,274,578</b>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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### Denbury Resources Inc. Unaudited Condensed Consolidated Statements of Operations (In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Revenues and other income</b>				
Oil, natural gas, and related product sales	\$ 259,030	\$ 239,930	\$ 776,088	\$ 674,401
CO <sub>2</sub> sales and transportation fees	6,590	6,253	18,533	19,147
Interest income and other income	939	7,802	8,576	10,429
Total revenues and other income	<u>266,559</u>	<u>253,985</u>	<u>803,197</u>	<u>703,977</u>
<b>Expenses</b>				
Lease operating expenses	117,768	106,522	342,926	308,988
Marketing and plant operating expenses	11,816	14,452	39,758	40,645
CO <sub>2</sub> discovery and operating expenses	1,346	861	2,452	2,539
Taxes other than income	20,233	20,401	62,848	59,997
General and administrative expenses	27,273	24,643	81,303	81,089
Interest, net of amounts capitalized of \$9,416, \$6,875, \$22,217, and \$18,944, respectively	24,546	24,778	75,785	103,007
Depletion, depreciation, and amortization	52,101	55,012	154,448	198,919
Commodity derivatives expense (income)	25,263	(21,224)	(9,712)	99,811
Gain on debt extinguishment	—	(7,826)	—	(115,095)
Write-down of oil and natural gas properties	—	75,521	—	810,921
Other expenses	—	—	—	36,232
Total expenses	<u>280,346</u>	<u>293,140</u>	<u>749,808</u>	<u>1,627,053</u>
<b>Income (loss) before income taxes</b>	<u>(13,787)</u>	<u>(39,155)</u>	<u>53,389</u>	<u>(923,076)</u>
Income tax provision (benefit)	(14,229)	(14,565)	17,018	(332,625)
<b>Net income (loss)</b>	<u>\$ 442</u>	<u>\$ (24,590)</u>	<u>\$ 36,371</u>	<u>\$ (590,451)</u>
<b>Net income (loss) per common share</b>				
Basic	\$ 0.00	\$ (0.06)	\$ 0.09	\$ (1.60)
Diluted	\$ 0.00	\$ (0.06)	\$ 0.09	\$ (1.60)
<b>Weighted average common shares outstanding</b>				
Basic	392,013	388,572	390,448	368,863
Diluted	393,023	388,572	392,625	368,863

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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### Denbury Resources Inc. Unaudited Condensed Consolidated Statements of Cash Flows (In thousands)

	Nine Months Ended September 30,	
	2017	2016
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 36,371	\$ (590,451)
Adjustments to reconcile net income (loss) to cash flows from operating activities		
Depletion, depreciation, and amortization	154,448	198,919
Write-down of oil and natural gas properties	—	810,921
Deferred income taxes	35,846	(331,574)
Stock-based compensation	12,215	9,682
Commodity derivatives expense (income)	(9,712)	99,811
Receipt (payment) on settlements of commodity derivatives	(38,618)	116,958
Gain on debt extinguishment	—	(115,095)
Debt issuance costs and discounts	4,801	15,541
Other, net	(112)	(3,271)
Changes in assets and liabilities, net of effects from acquisitions		
Accrued production receivable	3,590	(2,207)
Trade and other receivables	(13,604)	35,911
Other current and long-term assets	(4,734)	(8,434)
Accounts payable and accrued liabilities	(22,736)	(57,830)
Oil and natural gas production payable	(10,848)	(13,290)
Other liabilities	(4,048)	(6,232)
<b>Net cash provided by operating activities</b>	<b>142,859</b>	<b>159,359</b>
<b>Cash flows from investing activities</b>		
Oil and natural gas capital expenditures	(197,982)	(176,631)
Acquisitions of oil and natural gas properties	(91,124)	(560)
Net proceeds from sales of oil and natural gas properties and equipment	1,412	47,232
Other	(6,314)	(4,048)
<b>Net cash used in investing activities</b>	<b>(294,008)</b>	<b>(134,007)</b>
<b>Cash flows from financing activities</b>		
Bank repayments	(1,188,000)	(1,362,500)
Bank borrowings	1,382,000	1,447,500
Interest payments on senior secured notes treated as a reduction of debt	(25,139)	—
Repurchases of senior subordinated notes	—	(76,708)
Pipeline financing and capital lease debt repayments	(20,523)	(21,510)
Other	1,262	(11,673)
<b>Net cash provided by (used in) financing activities</b>	<b>149,600</b>	<b>(24,891)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,549)</b>	<b>461</b>
Cash and cash equivalents at beginning of period	1,606	2,812
<b>Cash and cash equivalents at end of period</b>	<b>\$ 57</b>	<b>\$ 3,273</b>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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### Denbury Resources Inc. *Notes to Unaudited Condensed Consolidated Financial Statements*

#### Note 1. Basis of Presentation

##### Organization and Nature of Operations

Denbury Resources Inc., a Delaware corporation, is an independent oil and natural gas company with operations focused in two key operating areas: the Gulf Coast and Rocky Mountain regions. Our goal is to increase the value of our properties through a combination of exploitation, drilling and proven engineering extraction practices, with the most significant emphasis relating to CO<sub>2</sub> enhanced oil recovery operations.

##### Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of Denbury Resources Inc. and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements and the notes thereto should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016 (the “Form 10-K”). Unless indicated otherwise or the context requires, the terms “we,” “our,” “us,” “Company” or “Denbury,” refer to Denbury Resources Inc. and its subsidiaries.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end, and the results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the year. In management’s opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair statement of our consolidated financial position as of September 30, 2017, our consolidated results of operations for the three and nine months ended September 30, 2017 and 2016, and our consolidated cash flows for the nine months ended September 30, 2017 and 2016.

##### Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on our reported net income, current assets, total assets, current liabilities, total liabilities or stockholders’ equity.

##### Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is calculated in the same manner, but includes the impact of potentially dilutive securities. Potentially dilutive securities consist of nonvested restricted stock and nonvested performance-based equity awards. For the three and nine months ended September 30, 2017 and 2016, there were no adjustments to net income (loss) for purposes of calculating basic and diluted net income (loss) per common share.

The following is a reconciliation of the weighted average shares used in the basic and diluted net income (loss) per common share calculations for the periods indicated:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Basic weighted average common shares outstanding	392,013	388,572	390,448	368,863
Potentially dilutive securities				
Restricted stock and performance-based equity awards	1,010	—	2,177	—
Diluted weighted average common shares outstanding	393,023	388,572	392,625	368,863

Basic weighted average common shares exclude shares of nonvested restricted stock. As these restricted shares vest, they will be included in the shares outstanding used to calculate basic net income (loss) per common share (although time-vesting restricted stock is issued and outstanding upon grant). For purposes of calculating diluted weighted average common shares during

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### Denbury Resources Inc. *Notes to Unaudited Condensed Consolidated Financial Statements*

the three and nine months ended September 30, 2017, the nonvested restricted stock and performance-based equity awards are included in the computation using the treasury stock method with the deemed proceeds equal to the average unrecognized compensation during the period.

The following securities could potentially dilute earnings per share in the future, but were excluded from the computation of diluted net income (loss) per share, as their effect would have been antidilutive:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Stock appreciation rights	4,551	6,091	4,793	6,590
Restricted stock and performance-based equity awards	9,891	9,178	6,259	6,053

### 2016 Write-Down of Oil and Natural Gas Properties

Under full cost accounting rules, we are required each quarter to perform a ceiling test calculation. Under these rules, the full cost ceiling value is calculated using the average first-day-of-the-month oil and natural gas price for each month during a 12-month rolling period ended as of each quarterly reporting period. The falling prices in 2016, relative to 2015 prices, led to our recognizing full cost pool ceiling test write-downs of \$75.5 million, \$479.4 million, and \$256.0 million during the three months ended September 30, June 30 and March 31, 2016, respectively. We have not recorded a ceiling test write-down during the first nine months of 2017.

### Recent Accounting Pronouncements

**Business Combinations.** In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-01, *Business Combinations: Clarifying the Definition of a Business* (“ASU 2017-01”). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Effective January 1, 2017, we adopted ASU 2017-01. See Note 2, *Asset Acquisition and Assets Held for Sale*, for discussion of the impact ASU 2017-01 had on our current period consolidated financial statements.

**Cash Flows.** In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (“ASU 2016-18”). ASU 2016-18 addresses the diversity that exists in the classification and presentation of changes in restricted cash on the statement of cash flows, and requires that a statement of cash flows explain the change in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within the year of adoption, with early adoption permitted. Management does not currently expect that the adoption of ASU 2016-18 will have a material impact on our consolidated financial statements, other than the inclusion of restricted cash on our consolidated statements of cash flows.

**Leases.** In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 amends the guidance for lease accounting to require lease assets and liabilities to be recognized on the balance sheet, along with additional disclosures regarding key leasing arrangements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and early adoption is permitted. Entities must adopt the standard using a modified retrospective transition and apply the guidance to the earliest comparative period presented, with certain practical expedients that entities may elect to apply. Management is currently assessing the impact the adoption of ASU 2016-02 will have on our consolidated financial statements.

**Revenue Recognition.** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with

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### Denbury Resources Inc. Notes to Unaudited Condensed Consolidated Financial Statements

customers. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (“ASU 2015-14”) which amends ASU 2014-09 and delays the effective date for public companies, such that the amendments in the ASU are effective for reporting periods beginning after December 15, 2017, and early adoption will be permitted for periods beginning after December 15, 2016. In March, April and May 2016, the FASB issued four additional ASUs which primarily clarified the implementation guidance on principal versus agent considerations, performance obligations and licensing, collectibility, presentation of sales taxes and other similar taxes collected from customers, and non-cash consideration. Entities can transition to the standard either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We expect to adopt this standard using the modified retrospective method upon its effective date. Management is currently finishing the evaluation of our various revenue contracts. However, based on the work performed to date, we do not believe this standard will have a material impact on our consolidated financial statements, but will require enhanced footnote disclosures.

#### Note 2. Asset Acquisition and Assets Held for Sale

##### Asset Acquisition

On June 30, 2017, we acquired a 23% non-operated working interest in Salt Creek Field in Wyoming for cash consideration of approximately \$71.5 million, before customary closing adjustments. The transaction was accounted for as an asset acquisition in accordance with ASU 2017-01. Therefore, the acquired interests were recorded based upon the cash consideration paid, with all value assigned to proved oil and natural gas properties.

##### Assets Held for Sale

We began actively marketing for sale certain non-productive surface acreage in the Houston area during July 2017, which we currently anticipate selling during 2018. As of September 30, 2017, the carrying value of the land held for sale was \$33.1 million, which is included in “Other property and equipment” on our Unaudited Condensed Consolidated Balance Sheets.

#### Note 3. Long-Term Debt

The following long-term debt and capital lease obligations were outstanding as of the dates indicated:

<i>In thousands</i>	September 30, 2017	December 31, 2016
Senior Secured Bank Credit Agreement	\$ 495,000	\$ 301,000
9% Senior Secured Second Lien Notes due 2021	614,919	614,919
6¾% Senior Subordinated Notes due 2021	215,144	215,144
5½% Senior Subordinated Notes due 2022	772,912	772,912
4¾% Senior Subordinated Notes due 2023	622,297	622,297
Other Subordinated Notes, including premium of \$1 and \$3, respectively	2,251	2,253
Pipeline financings	195,258	202,671
Capital lease obligations	34,542	48,718
Total debt principal balance	2,952,323	2,779,914
Future interest payable on 9% Senior Secured Second Lien Notes due 2021 <sup>(1)</sup>	203,686	228,825
Issuance costs on senior secured second lien and senior subordinated notes	(13,568)	(15,641)
Total debt, net of debt issuance costs	3,142,441	2,993,098
Less: current maturities of long-term debt <sup>(1)</sup>	(85,002)	(83,366)
Long-term debt and capital lease obligations	\$ 3,057,439	\$ 2,909,732

- (1) Future interest payable on our 9% Senior Secured Second Lien Notes due 2021 (the “2021 Senior Secured Notes”) represents most of the interest due over the term of this obligation, which has been accounted for as debt in accordance with Financial Accounting Standards Board Codification (“FASC”) 470-60, *Troubled Debt Restructuring by Debtors*. Our current maturities of long-term debt as of September 30, 2017 include \$50.5 million of future interest payable related to the 2021 Senior Secured Notes that is due within the next twelve months.



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### **Denbury Resources Inc.** ***Notes to Unaudited Condensed Consolidated Financial Statements***

The ultimate parent company in our corporate structure, Denbury Resources Inc. (“DRI”), is the sole issuer of all of our outstanding 2021 Senior Secured Notes and our senior subordinated notes. DRI has no independent assets or operations. Each of the subsidiary guarantors of such notes is 100% owned, directly or indirectly, by DRI, and the guarantees of the notes are full and unconditional and joint and several; any subsidiaries of DRI that are not subsidiary guarantors of such notes are minor subsidiaries.

#### **Senior Secured Bank Credit Facility**

In December 2014, we entered into an Amended and Restated Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and other lenders party thereto (as amended, the “Bank Credit Agreement”). The Bank Credit Agreement is a senior secured revolving credit facility with a maturity date of December 9, 2019 and semiannual borrowing base redeterminations in May and November of each year. As part of our fall 2017 semiannual borrowing base redetermination, the borrowing base and lender commitments for our Bank Credit Agreement were reaffirmed at \$1.05 billion, with the next such redetermination scheduled for May 2018. If our outstanding debt under the Bank Credit Agreement were to ever exceed the borrowing base, we would be required to repay the excess amount over a period not to exceed six months. The weighted average interest rate on borrowings outstanding under the Bank Credit Agreement was 4.3% as of September 30, 2017. We incur a commitment fee of 0.50% on the undrawn portion of the aggregate lender commitments under the Bank Credit Agreement.

In May 2017, we entered into a Fourth Amendment to the Bank Credit Agreement, pursuant to which the lenders agreed to amend certain terms and financial performance covenants through the remaining term of the Bank Credit Agreement in order to provide more flexibility in managing the credit extended by our lenders, including eliminating the consolidated total net debt to EBITDAX financial performance covenants that were scheduled to go into effect starting in 2018. In addition, the amendment increased the applicable margin for ABR Loans and LIBOR Loans by 50 basis points, such that the margin for ABR Loans now ranges from 1.5% to 2.5% per annum and the margin for LIBOR Loans now ranges from 2.5% to 3.5% per annum. In November 2017, we entered into a Fifth Amendment to the Bank Credit Agreement, pursuant to which the lenders agreed to increase the amount of junior lien (i.e., second lien or third lien) debt we can incur from \$1.0 billion to \$1.2 billion outstanding in the aggregate at any one time.

The Bank Credit Agreement contains certain financial performance covenants through the maturity of the facility, including the following:

- A consolidated senior secured debt to consolidated EBITDAX covenant, with such ratio not to exceed 3.0 to 1.0 through the first quarter of 2018, and thereafter not to exceed 2.5 to 1.0. Currently, only debt under our Bank Credit Agreement is considered consolidated senior secured debt for purposes of this ratio;
- A minimum permitted ratio of consolidated EBITDAX to consolidated interest charges of 1.25 to 1.0; and
- A requirement to maintain a current ratio of 1.0 to 1.0.

The above description of our Bank Credit Agreement is qualified by the express language and defined terms contained in the Bank Credit Agreement and the amendments thereto, each of which are filed as exhibits to our periodic reports filed with the SEC.

#### **2016 Senior Subordinated Notes Exchange**

During May 2016, in privately negotiated transactions, we exchanged a total of \$1,057.8 million of our existing senior subordinated notes for \$614.9 million principal amount of our 2021 Senior Secured Notes plus 40.7 million shares of Denbury common stock, resulting in a net reduction from these exchanges of \$442.9 million in our debt principal. As a result of this debt exchange, we recognized a gain of \$12.0 million during the nine months ended September 30, 2016, which is included in “Gain on debt extinguishment” in the accompanying Consolidated Statements of Operations.

#### **2016 Repurchases of Senior Subordinated Notes**

During the first and third quarters of 2016, we repurchased a total of \$181.9 million of our outstanding long-term indebtedness in open-market transactions for a total purchase price of \$76.7 million, excluding accrued interest. In connection with these transactions, we recognized a \$103.1 million gain on extinguishment, net of unamortized debt issuance costs written off, during the nine months ended September 30, 2016. As of November 6, 2017, under the Bank Credit Agreement, up to an additional \$148.3 million may be spent on open market or other repurchases or redemptions of our senior subordinated notes.

**Denbury Resources Inc.**  
***Notes to Unaudited Condensed Consolidated Financial Statements***

**Note 4. Income Taxes**

We evaluate our estimated annual effective income tax rate based on current and forecasted business results and enacted tax laws on a quarterly basis and apply this tax rate to our ordinary income or loss to calculate our estimated tax liability or benefit. Our income taxes are based on an estimated statutory rate of approximately 38% in 2017 and 2016. Our effective tax rate for the three months ended September 30, 2017, differed from our estimated statutory rate, primarily due to the impact of recognizing a tax benefit of \$8.6 million in the current quarter for enhanced oil recovery income tax credits, which was offset in part by a stock-based compensation deduction shortfall (tax deduction less than book expense) of \$2.1 million. With pre-tax income for the three months ended September 30, 2017 being close to break-even, the net tax benefit from these items had a significant impact on the current quarter's effective tax rate.

**Note 5. Commodity Derivative Contracts**

We do not apply hedge accounting treatment to our oil and natural gas derivative contracts; therefore, the changes in the fair values of these instruments are recognized in income in the period of change. These fair value changes, along with the settlements of expired contracts, are shown under "Commodity derivatives expense (income)" in our Unaudited Condensed Consolidated Statements of Operations.

Historically, we have entered into various oil and natural gas derivative contracts to provide an economic hedge of our exposure to commodity price risk associated with anticipated future oil and natural gas production and to provide more certainty to our future cash flows. We do not hold or issue derivative financial instruments for trading purposes. Generally, these contracts have consisted of various combinations of price floors, collars, three-way collars, fixed-price swaps, fixed-price swaps enhanced with a sold put, and basis swaps. The production that we hedge has varied from year to year depending on our levels of debt, financial strength and expectation of future commodity prices.

We manage and control market and counterparty credit risk through established internal control procedures that are reviewed on an ongoing basis. We attempt to minimize credit risk exposure to counterparties through formal credit policies, monitoring procedures and diversification, and all of our commodity derivative contracts are with parties that are lenders under our Bank Credit Agreement (or affiliates of such lenders). As of September 30, 2017, all of our outstanding derivative contracts were subject to enforceable master netting arrangements whereby payables on those contracts can be offset against receivables from separate derivative contracts with the same counterparty. It is our policy to classify derivative assets and liabilities on a gross basis on our balance sheets, even if the contracts are subject to enforceable master netting arrangements.

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### Denbury Resources Inc. Notes to Unaudited Condensed Consolidated Financial Statements

The following table summarizes our commodity derivative contracts as of September 30, 2017, none of which are classified as hedging instruments in accordance with the FASC *Derivatives and Hedging* topic:

Months	Index Price	Volume (Barrels per day)	Contract Prices (\$/Bbl)							
			Range <sup>(1)</sup>		Weighted Average Price					
					Swap	Sold Put	Floor	Ceiling		
<b>Oil Contracts:</b>										
<u>2017 Fixed-Price Swaps</u>										
Oct – Dec	NYMEX	12,000	\$ 48.40	– 50.13	\$ 49.76	\$ —	\$ —	\$ —	\$ —	
<u>2017 Three-Way Collars <sup>(2)</sup></u>										
Oct – Dec	NYMEX	14,000	\$ 40.00	– 70.20	\$ —	\$ 31.07	\$ 41.07	\$ 65.79		
Oct – Dec	LLS	1,000	41.00	– 70.25	—	31.00	41.00	70.25		
<u>2017 Collars</u>										
Oct – Dec	NYMEX	1,000	\$ 40.00	– 70.00	\$ —	\$ —	\$ 40.00	\$ 70.00		
<u>2018 Fixed-Price Swaps</u>										
Jan – Dec	NYMEX	15,500	\$ 50.00	– 50.40	\$ 50.13	\$ —	\$ —	\$ —		
<u>2018 Three-Way Collars <sup>(2)</sup></u>										
Jan – Dec	NYMEX	15,000	\$ 45.00	– 56.60	\$ —	\$ 36.50	\$ 46.50	\$ 53.88		
<u>2017 Basis Swaps <sup>(3)</sup></u>										
Dec	Argus LLS	5,000	\$ 4.15	– 4.15	\$ 4.15	\$ —	\$ —	\$ —		
<u>2018 Basis Swaps <sup>(3)</sup></u>										
Jan – June	Argus LLS	2,500	\$ 3.13	– 3.15	\$ 3.13	\$ —	\$ —	\$ —		

- (1) Ranges presented for fixed-price swaps and basis swaps represent the lowest and highest fixed prices of all open contracts for the period presented. For collars and three-way collars, ranges represent the lowest floor price and highest ceiling price for all open contracts for the period presented.
- (2) A three-way collar is a costless collar contract combined with a sold put feature (at a lower price) with the same counterparty. The value received for the sold put is used to enhance the contracted floor and ceiling price of the related collar. At the contract settlement date, (1) if the index price is higher than the ceiling price, we pay the counterparty the difference between the index price and ceiling price for the contracted volumes, (2) if the index price is between the floor and ceiling price, no settlements occur, (3) if the index price is lower than the floor price but at or above the sold put price, the counterparty pays us the difference between the index price and the floor price for the contracted volumes and (4) if the index price is lower than the sold put price, the counterparty pays us the difference between the floor price and the sold put price for the contracted volumes.
- (3) The basis swap contracts establish a fixed amount for the differential between Argus WTI and Argus LLS prices on a trade-month basis for the period indicated.

#### Note 6. Fair Value Measurements

The FASC *Fair Value Measurement* topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (often referred to as the “exit price”). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. We primarily apply the income approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We are able to classify fair value balances based on the observability of those inputs. The FASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities as of the reporting date.

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### Denbury Resources Inc. Notes to Unaudited Condensed Consolidated Financial Statements

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Instruments in this category include non-exchange-traded oil derivatives that are based on NYMEX pricing and basis swaps that are based on regional pricing other than NYMEX (e.g., Light Louisiana Sweet). Our costless collars and the sold put features of our three-way collars are valued using the Black-Scholes model, an industry standard option valuation model that takes into account inputs such as contractual prices for the underlying instruments, maturity, quoted forward prices for commodities, interest rates, volatility factors and credit worthiness, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.
- Level 3 – Pricing inputs include significant inputs that are generally less observable. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value. At September 30, 2017, instruments in this category include non-exchange-traded three-way collars that are based on regional pricing other than NYMEX (e.g., Light Louisiana Sweet). The valuation models utilized for costless collars and three-way collars are consistent with the methodologies described above; however, the implied volatilities utilized in the valuation of Level 3 instruments are developed using a benchmark, which is considered a significant unobservable input. An increase or decrease of 100 basis points in the implied volatility inputs utilized in our fair value measurement would result in a change of approximately \$100 thousand in the fair value of these instruments as of September 30, 2017.

We adjust the valuations from the valuation model for nonperformance risk, using our estimate of the counterparty’s credit quality for asset positions and our credit quality for liability positions. We use multiple sources of third-party credit data in determining counterparty nonperformance risk, including credit default swaps.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis as of the periods indicated:

<i>In thousands</i>	Fair Value Measurements Using:			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>September 30, 2017</b>				
Assets				
Oil derivative contracts – current	\$ —	\$ 58	\$ 2	\$ 60
Total Assets	\$ —	\$ 58	\$ 2	\$ 60
Liabilities				
Oil derivative contracts – current	\$ —	\$ (16,746)	\$ —	\$ (16,746)
Oil derivative contracts – long-term	—	(4,263)	—	(4,263)
Total Liabilities	\$ —	\$ (21,009)	\$ —	\$ (21,009)
<b>December 31, 2016</b>				
Liabilities				
Oil derivative contracts – current	\$ —	\$ (68,753)	\$ (526)	\$ (69,279)
Total Liabilities	\$ —	\$ (68,753)	\$ (526)	\$ (69,279)

Since we do not apply hedge accounting for our commodity derivative contracts, any gains and losses on our assets and liabilities are included in “Commodity derivatives expense (income)” in the accompanying Unaudited Condensed Consolidated Statements of Operations.

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### Denbury Resources Inc. Notes to Unaudited Condensed Consolidated Financial Statements

#### Level 3 Fair Value Measurements

The following table summarizes the changes in the fair value of our Level 3 assets and liabilities for the three and nine months ended September 30, 2017 and 2016:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Fair value of Level 3 instruments, beginning of period	\$ 99	\$ 240	\$ (526)	\$ 52,834
Fair value gains (losses) on commodity derivatives	(97)	2,402	528	(2,134)
Receipts on settlements of commodity derivatives	—	(3,167)	—	(51,225)
Fair value of Level 3 instruments, end of period	\$ 2	\$ (525)	\$ 2	\$ (525)

The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets or liabilities still held at the reporting date

\$	(71)	\$	891	\$	54	\$	(525)
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We utilize an income approach to value our Level 3 costless collars and three-way collars. We obtain and ensure the appropriateness of the significant inputs to the calculation, including contractual prices for the underlying instruments, maturity, forward prices for commodities, interest rates, volatility factors and credit worthiness, and the fair value estimate is prepared and reviewed on a quarterly basis. The following table details fair value inputs related to implied volatilities utilized in the valuation of our Level 3 oil derivative contracts:

	Fair Value at 9/30/2017 (in thousands)	Valuation Technique	Unobservable Input	Volatility Range
Oil derivative contracts	\$ 2	Discounted cash flow / Black-Scholes	Volatility of Light Louisiana Sweet for settlement periods beginning after September 30, 2017	15.4% – 33.4%

#### Other Fair Value Measurements

The carrying value of our loans under our Bank Credit Agreement approximate fair value, as they are subject to short-term floating interest rates that approximate the rates available to us for those periods. We use a market approach to determine the fair value of our fixed-rate long-term debt using observable market data. The fair values of our 2021 Senior Secured Notes and senior subordinated notes are based on quoted market prices, which are considered Level 1 measurements under the fair value hierarchy. The estimated fair value of the principal amount of our debt as of September 30, 2017 and December 31, 2016, excluding pipeline financing and capital lease obligations, was \$1,996.6 million and \$2,327.8 million, respectively. We have other financial instruments consisting primarily of cash, cash equivalents, short-term receivables and payables that approximate fair value due to the nature of the instrument and the relatively short maturities.

#### Note 7. Commitments and Contingencies

##### Commitments

The Company has a CO<sub>2</sub> offtake agreement with Mississippi Power Company (“MSPC”), providing for our purchase of CO<sub>2</sub> generated as a byproduct of the gasification portion of their Kemper County energy facility. After receiving minor amounts of CO<sub>2</sub> from the facility during the first half of 2017, in June 2017, MSPC announced the immediate and indefinite suspension of startup and operations activities of the lignite coal gasification portion of the Kemper County energy facility. As a result of this suspension, the Company is not expecting to receive any CO<sub>2</sub> from this facility for the foreseeable future.

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### Denbury Resources Inc. *Notes to Unaudited Condensed Consolidated Financial Statements*

#### Litigation

We are involved in various lawsuits, claims and regulatory proceedings incidental to our businesses. We are also subject to audits for various taxes (income, sales and use, and severance) in the various states in which we operate, and from time to time receive assessments for potential taxes that we may owe. While we currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows, litigation is subject to inherent uncertainties. Although a single or multiple adverse rulings or settlements could possibly have a material adverse effect on our finances, we only accrue for losses from litigation and claims if we determine that a loss is probable and the amount can be reasonably estimated.

#### *Riley Ridge Helium Supply Contract Claim*

As part of our 2010 and 2011 acquisitions of the Riley Ridge Unit and associated gas processing facility that was under construction, we assumed a 20-year helium supply contract under which we agreed to supply to a third-party purchaser the helium separated from the full well stream by operation of the gas processing facility. The helium supply contract provides for the delivery of a minimum contracted quantity of helium, subject to adjustment after startup of the Riley Ridge gas processing facility, with liquidated damages payable if specified quantities of helium are not supplied in accordance with the terms of the contract. The liquidated damages are capped at \$8.0 million per contract year and are capped at an aggregate of \$46.0 million over the remaining term of the contract. As the gas processing facility has been shut-in since mid-2014, we have not been able to supply helium to the third-party purchaser under the helium supply contract. In a case originally filed in November 2014 by APMTG Helium, LLC, the third-party helium purchaser, after a week of trial during February 2017 on the third-party purchaser's claim for multiple years of liquidated damages for non-delivery of volumes of helium specified under the helium supply contract, and on our claim that the contractual obligation is excused by virtue of events that fall within the force majeure provisions in the helium supply contract, the trial was stayed until November 27, 2017. The Company plans to continue to vigorously defend its position and pursue its claim, but we are unable to predict at this time the outcome of this dispute.

#### Note 8. Additional Balance Sheet Details

##### Trade and Other Receivables, Net

<i>In thousands</i>	September 30, 2017	December 31, 2016
Trade accounts receivable, net	\$ 15,319	\$ 20,084
Federal income tax receivable	11,687	—
Other receivables	28,312	23,816
Total	<u>\$ 55,318</u>	<u>\$ 43,900</u>

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and Notes thereto included herein and our Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "Form 10-K"), along with *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in the Form 10-K. Any terms used but not defined herein have the same meaning given to them in the Form 10-K. Our discussion and analysis includes forward-looking information that involves risks and uncertainties and should be read in conjunction with *Risk Factors* under Item 1A of the Form 10-K, along with *Forward-Looking Information* at the end of this section for information on the risks and uncertainties that could cause our actual results to be materially different than our forward-looking statements.

**OVERVIEW**

Denbury is an independent oil and natural gas company with operations focused in two key operating areas: the Gulf Coast and Rocky Mountain regions. Our goal is to increase the value of our properties through a combination of exploitation, drilling and proven engineering extraction practices, with the most significant emphasis relating to CO<sub>2</sub> enhanced oil recovery operations.

**Oil Price Impact on Our Business.** Our financial results are significantly impacted by changes in oil prices, as 97% of our production is oil. Oil prices are highly impacted by worldwide oil supply and demand and have historically been subject to significant price changes over short periods of time, including the early November 2017 move of NYMEX oil prices over \$57 per Bbl for the first time in over two years. Over the last few years, we have been in a period of lower oil prices during which oil prices have generally averaged in the \$30-\$50 per Bbl range, which is roughly 50% lower than the oil price range over the 2011 through 2014 period. As a result of the lower oil price environment and its impact on our business, our focus has primarily been on preservation of cash and liquidity, together with cost reductions, rather than concentration on expansion and growth. Early in 2017, when we set our development capital budget at \$300 million, the forecasted oil price for 2017 was projected to average in the low-to-mid \$50's per Bbl. Given that prices during the first three quarters of 2017 were lower than originally projected, to protect our cash and liquidity, in August 2017 we reduced our 2017 estimated development capital spending by \$50 million from \$300 million to \$250 million (excluding acquisitions and capitalized interest).

**Hurricane Harvey Impact.** Due to conditions associated with Hurricane Harvey, in late-August the Company suspended operations and temporarily shut-in all production at its Houston area fields, representing net production of approximately 16,000 BOE/d. The impacted fields included Hastings, Oyster Bayou, Conroe, Thompson, Webster and Manvel. Approximately 90% of the 16,000 BOE/d of net production shut-in as of August 27, 2017 had returned to production by September 6<sup>th</sup>, and the only field that remained partially shut-in was Thompson Field. Thompson Field had net production just prior to the storm of approximately 1,000 BOE/d, nearly all of which has now been returned to production. The impact of Hurricane Harvey on third quarter 2017 production was approximately 2,000 BOE/d, and there was no significant damage to any of the fields. The primary impacts of the storm to date include temporarily shut-in production and cleanup and repair costs. During the third quarter of 2017, we incurred approximately \$2.6 million in cleanup and repair costs related to Hurricane Harvey, and we currently estimate that additional cleanup and repair costs of approximately \$4 million will be recorded to lease operating expenses during the fourth quarter of 2017. See *Results of Operations – Production* for further discussion of production changes.

**Operating Highlights.** We recognized net income of \$0.4 million, or \$0.00 per diluted common share, during the third quarter of 2017, compared to a net loss of \$24.6 million, or \$0.06 per diluted common share, during the third quarter of 2016. The primary drivers of our change in operating results between the comparative third quarters of 2017 and 2016 were the following:

- Third quarter of 2016 results included a \$75.5 million (\$48.4 million net of tax) full cost pool ceiling test write-down of our oil and natural gas properties, offset in part by a \$7.8 million gain on debt extinguishment.
- Oil and natural gas revenues improved by \$19.1 million, or 8%, in the third quarter of 2017, principally driven by a 10% improvement in realized oil prices, offset in part by a 2% decrease in average daily production volumes. Net realized oil price differentials improved by \$1.23 per Bbl from the prior-year period.
- Commodity derivatives expense increased by \$46.5 million (\$25.3 million of expense in the current-year period compared to \$21.2 million of income in the prior-year period). This increase in expense was the result of losses from noncash fair value adjustments between the periods of \$53.9 million, offset in part by a \$7.4 million reduction in payments on derivative settlements.
- Lease operating expenses increased by \$11.2 million, or 11%, from the third quarter of 2016.

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### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

- Tax benefits of \$8.6 million recognized in the current-year quarter related to enhanced oil recovery income tax credits.

We generated \$65.7 million of cash flows from operating activities in the third quarter of 2017, a decrease of \$30.8 million from the third quarter of 2016 levels. The decrease in cash flows from operations was due primarily to working capital changes (\$2.6 million outflow during the third quarter of 2017 compared to a \$34.8 million inflow during the third quarter of 2016).

**Second Quarter 2017 Salt Creek Field Acquisition.** On June 30, 2017, we acquired a 23% non-operated working interest in Salt Creek Field in Wyoming for cash consideration of approximately \$71.5 million (before customary closing adjustments). Salt Creek Field is an ongoing CO<sub>2</sub> flood, and tertiary production from the field was just over 2,200 Bbls/d, net to our interest, during the third quarter of 2017. Production from Salt Creek Field is expected to increase over the next several years with minimal capital spending. As of June 30, 2017, net to our interest, we estimated the field had proved oil reserves of approximately 17 MMBbls, including proved developed reserves of approximately 14 MMBbls.

**First Quarter 2017 West Yellow Creek Field Acquisition.** In March 2017, we acquired an approximate 48% non-operated working interest in West Yellow Creek Field in Mississippi for approximately \$16 million (before closing adjustments). We estimate West Yellow Creek Field currently has approximately 2 MMBbls of proved oil reserves, net to our interest, but minimal production, as the operator is in the process of completing the conversion of the field to a CO<sub>2</sub> EOR flood and has invested significant capital in that development. Having available CO<sub>2</sub> was a primary factor in being able to enter into this transaction, in which we will sell CO<sub>2</sub> to the operator. Based on current plans, we expect capital expenditures on this development to be less than \$10 million in 2017, with first tertiary production expected from the field in late 2017 or early 2018.

## CAPITAL RESOURCES AND LIQUIDITY

**Overview.** Our primary sources of capital and liquidity are our cash flows from operations and availability of borrowing capacity under our senior secured bank credit facility. For the first nine months of 2017, we generated cash flows from operations of \$142.9 million, after giving affect to \$52.4 million of negative cash flow due to working capital adjustments. We have been proactive in adjusting our capital spending in connection with the lower oil price environment over the past several years, and as discussed in the *Overview* above, in August 2017, we adjusted our anticipated full-year 2017 capital budget, excluding acquisitions and capitalized interest, from \$300 million to \$250 million. Based on our current forecasts and expected average oil prices in the mid-\$50's per Bbl for the remainder of 2017, we currently expect that our cash flow from operations would fund all but a modest amount of this development capital spending, after giving effect to interest accounted for as debt, but excluding acquisitions (see *Capital Spending* below for further discussion). If our cash flows from operations were to be less than our capital spending, we currently plan to fund those expenditures in the near term with incremental borrowings under our bank credit facility.

The preservation of cash and liquidity remains a significant priority for us in the current oil price environment. As of September 30, 2017, we had \$495.0 million drawn on our \$1.05 billion senior secured bank credit facility and \$62.2 million of outstanding letters of credit, compared to \$490.0 million outstanding as of June 30, 2017 and \$301.0 million as of December 31, 2016. The \$194.0 million increase in bank debt since December 31, 2016 is primarily due to \$91.1 million of oil and natural gas property acquisitions in the first nine months of 2017, \$52.4 million of cash outflows for working capital changes, and repayments of other non-bank debt of \$45.7 million. Assuming oil prices remain at current levels in the mid-\$50's per Bbl for the remainder of the year, we currently expect our senior secured bank credit facility borrowings will end the year in a projected range of between \$450 million and \$475 million. With this level of bank borrowings, we should have around \$500 million of liquidity under our bank line, which, coupled with continuing cost savings and liquidity preservation measures, should be sufficient to cover any foreseeable cash flow shortfall between our cash flows from operations and capital spending. The Company may also raise funds through asset sales or joint ventures, issuance of notes and/or equity, which would enable us to reduce our outstanding borrowings on the credit facility and further increase our available liquidity.

Since we do not expect oil prices to return in the foreseeable future to recent historical highs of 2014, we have adjusted, and continue to adjust, our business through efficiencies and cost reductions. Most recently, we completed a reduction in force in the third quarter of 2017, resulting in a reduction of approximately 15% of the Company's workforce, principally comprised of personnel at the Company's headquarters. With this reduction in force, coupled with other recently enacted or identified cost savings measures, we expect to exceed \$50 million in cost reductions, many of which we are starting to see the benefits of now, and others that will be realized in 2018, and we continue to believe we have additional opportunities to reduce costs.



In addition to reductions in our cost structure, we have reduced our debt levels over the last few years primarily through opportunistic debt exchanges and open market debt repurchases; however, given the current oil price environment we would like to achieve additional debt reductions. The flexibility in our capital structure and movements in the market price of our debt and equity securities may provide opportunities for debt refinancing or additional debt reduction over time, and we continue to explore and have discussions with bondholders from time to time regarding potential debt reduction transactions. Potential transactions could include purchases of our subordinated debt in the open market, cash tenders for our debt, or public or privately negotiated debt exchanges, including debt for equity exchanges and/or convertible debt issuances, or future potential debt reduction with proceeds of issuances of equity, asset sales, joint ventures and other cash-generating activities. Any equity that we issue could lead to dilution of our current stockholders and affect our common stock price.

**Senior Secured Bank Credit Facility.** In December 2014, we entered into an Amended and Restated Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and other lenders party thereto (as amended, the "Bank Credit Agreement"). As part of our fall 2017 semiannual borrowing base redetermination, the borrowing base and lender commitments for our Bank Credit Agreement were reaffirmed at \$1.05 billion, with the next such redetermination scheduled for May 2018. As of September 30, 2017, we had \$495.0 million of debt outstanding and \$62.2 million in letters of credit on the senior secured bank credit facility, leaving us with significant liquidity.

In May 2017, we entered into a Fourth Amendment to the Bank Credit Agreement, pursuant to which the lenders agreed to amend certain terms and financial performance covenants through the remaining term of the Bank Credit Agreement in order to provide more flexibility in managing the credit extended by our lenders, including eliminating the consolidated total net debt to EBITDAX financial performance covenants that were scheduled to go into effect starting in 2018. In addition, the amendment increased the applicable margin for ABR Loans and LIBOR Loans by 50 basis points, such that the margin for ABR Loans now ranges from 1.5% to 2.5% per annum and the margin for LIBOR Loans now ranges from 2.5% to 3.5% per annum. In November 2017, we entered into a Fifth Amendment to the Bank Credit Agreement, pursuant to which the lenders agreed to increase the amount of junior lien (i.e., second lien or third lien) debt we can incur from \$1.0 billion to \$1.2 billion outstanding in the aggregate at any one time.

The Bank Credit Agreement contains certain financial performance covenants through the maturity of the facility, including the following:

- A consolidated senior secured debt to consolidated EBITDAX covenant, with such ratio not to exceed 3.0 to 1.0 through the first quarter of 2018, and thereafter not to exceed 2.5 to 1.0. Currently, only debt under our Bank Credit Agreement is considered consolidated senior secured debt for purposes of this ratio;
- A minimum permitted ratio of consolidated EBITDAX to consolidated interest charges of 1.25 to 1.0; and
- A requirement to maintain a current ratio of 1.0 to 1.0.

For our financial performance covenant calculations as of September 30, 2017, our ratio of consolidated senior secured debt to consolidated EBITDAX was 1.44 to 1.0 (with a maximum permitted ratio of 3.0 to 1.0), our ratio of consolidated EBITDAX to consolidated interest charges was 2.01 to 1.0 (with a required ratio of not less than 1.25 to 1.0), and our current ratio was 2.69 to 1.0 (with a required ratio of not less than 1.0 to 1.0). Based upon our currently forecasted levels of production and costs, hedges in place as of November 6, 2017, and current oil commodity futures prices, we currently anticipate continuing to be in compliance with our bank covenants during the foreseeable future.

The above description of our Bank Credit Agreement is qualified by the express language and defined terms contained in the Bank Credit Agreement and the amendments thereto, each of which are filed as exhibits to our periodic reports filed with the SEC.

**Capital Spending.** We currently anticipate that our full-year 2017 capital budget, excluding capitalized interest and acquisitions, will be approximately \$250 million, which includes approximately \$55 million in capitalized internal acquisition, exploration and development costs and pre-production tertiary startup costs. This combined 2017 capital budget amount, excluding capitalized interest and acquisitions, is comprised of the following:

- \$135 million allocated for tertiary oil field expenditures;
- \$50 million allocated for other areas, primarily non-tertiary oil field expenditures;
- \$10 million to be spent on CO<sub>2</sub> sources and pipelines; and

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### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

- \$55 million for other capital items such as capitalized internal acquisition, exploration and development costs and pre-production tertiary startup costs.

**Capital Expenditure Summary.** The following table reflects incurred capital expenditures (including accrued capital) for the nine months ended September 30, 2017 and 2016:

<i>In thousands</i>	Nine Months Ended	
	September 30,	
	2017	2016
Capital expenditures by project		
Tertiary oil fields	\$ 98,797	\$ 90,392
Non-tertiary fields	41,023	19,142
Capitalized internal costs <sup>(1)</sup>	37,732	35,516
Oil and natural gas capital expenditures	177,552	145,050
CO <sub>2</sub> pipelines, sources and other	3,246	828
<b>Capital expenditures, before acquisitions and capitalized interest</b>	180,798	145,878
Acquisitions of oil and natural gas properties	91,015	10,888
<b>Capital expenditures, before capitalized interest</b>	271,813	156,766
Capitalized interest	22,217	18,944
<b>Capital expenditures, total</b>	<u>\$ 294,030</u>	<u>\$ 175,710</u>

(1) Includes capitalized internal acquisition, exploration and development costs and pre-production tertiary startup costs.

For the nine months ended September 30, 2017, our capital expenditures and property acquisitions were funded with \$142.9 million of cash flows from operations, with additional funds provided by borrowings on our Bank Credit Agreement. For the nine months ended September 30, 2016, our capital expenditures and property acquisitions were primarily funded with cash flows from operations, with additional funds provided by asset sales and borrowings on our Bank Credit Agreement.

**Off-Balance Sheet Arrangements.** Our off-balance sheet arrangements include operating leases for office space and various obligations for development and exploratory expenditures that arise from our normal capital expenditure program or from other transactions common to our industry, none of which are recorded on our balance sheet. In addition, in order to recover our undeveloped proved reserves, we must also fund the associated future development costs estimated in our proved reserve reports.

The Company has a CO<sub>2</sub> offtake agreement with Mississippi Power Company ("MSPC"), providing for our purchase of CO<sub>2</sub> generated as a byproduct of the gasification portion of their Kemper County energy facility. After receiving minor amounts of CO<sub>2</sub> from the facility during the first half of 2017, in June 2017, MSPC announced the immediate and indefinite suspension of startup and operations activities of the lignite coal gasification portion of the Kemper County energy facility. As a result of this suspension, the Company is not expecting to receive any CO<sub>2</sub> from this facility for the foreseeable future. Given our Jackson Dome CO<sub>2</sub> reserves and the increased efficiency of our CO<sub>2</sub> usage, we do not anticipate any material impact upon our tertiary production from a lengthy or permanent absence of offtake CO<sub>2</sub> volumes from the MSPC plant.

Our commitments and obligations consist of those detailed as of December 31, 2016, in our Form 10-K under *Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Liquidity – Commitments and Obligations*.

**RESULTS OF OPERATIONS**

Our tertiary operations represent a significant portion of our overall operations and are our primary long-term strategic focus. The economics of a tertiary field and the related impact on our financial statements differ from a conventional oil and gas play, and we have outlined certain of these differences in our Form 10-K and other public disclosures. Our focus on these types of operations impacts certain trends in both current and long-term operating results. Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Overview of Tertiary Operations* in our Form 10-K for further information regarding these matters.

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### Denbury Resources Inc.

#### Management's Discussion and Analysis of Financial Condition and Results of Operations

### Operating Results Table

Certain of our operating results and statistics for the comparative three and nine months ended September 30, 2017 and 2016 are included in the following table:

<i>In thousands, except per-share and unit data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating results</b>				
Net income (loss) <sup>(1)</sup>	\$ 442	\$ (24,590)	\$ 36,371	\$ (590,451)
Net income (loss) per common share – basic <sup>(1)</sup>	0.00	(0.06)	0.09	(1.60)
Net income (loss) per common share – diluted <sup>(1)</sup>	0.00	(0.06)	0.09	(1.60)
Net cash provided by operating activities	65,651	96,415	142,859	159,359
<b>Average daily production volumes</b>				
Bbls/d	58,376	59,297	58,182	62,451
Mcf/d	11,710	13,416	10,985	15,995
BOE/d <sup>(2)</sup>	60,328	61,533	60,013	65,117
<b>Operating revenues</b>				
Oil sales	\$ 256,621	\$ 237,053	\$ 768,912	\$ 666,441
Natural gas sales	2,409	2,877	7,176	7,960
Total oil and natural gas sales	\$ 259,030	\$ 239,930	\$ 776,088	\$ 674,401
<b>Commodity derivative contracts <sup>(3)</sup></b>				
Receipt (payment) on settlements of commodity derivatives	\$ 89	\$ (7,295)	\$ (38,618)	\$ 116,958
Noncash fair value gains (losses) on commodity derivatives <sup>(4)</sup>	(25,352)	28,519	48,330	(216,769)
Commodity derivatives income (expense)	\$ (25,263)	\$ 21,224	\$ 9,712	\$ (99,811)
<b>Unit prices – excluding impact of derivative settlements</b>				
Oil price per Bbl	\$ 47.78	\$ 43.45	\$ 48.41	\$ 38.95
Natural gas price per Mcf	2.24	2.33	2.39	1.82
<b>Unit prices – including impact of derivative settlements <sup>(3)</sup></b>				
Oil price per Bbl	\$ 47.80	\$ 42.12	\$ 45.98	\$ 45.78
Natural gas price per Mcf	2.24	2.33	2.39	1.82
<b>Oil and natural gas operating expenses</b>				
Lease operating expenses	\$ 117,768	\$ 106,522	\$ 342,926	\$ 308,988
Marketing expenses, net of third-party purchases, and plant operating expenses	9,706	11,225	29,758	33,707
Production and ad valorem taxes	18,418	17,983	57,548	52,201
<b>Oil and natural gas operating revenues and expenses per BOE</b>				
Oil and natural gas revenues	\$ 46.67	\$ 42.38	\$ 47.37	\$ 37.80
Lease operating expenses	21.22	18.82	20.93	17.32
Marketing expenses, net of third-party purchases, and plant operating expenses	1.75	1.99	1.82	1.89
Production and ad valorem taxes	3.32	3.18	3.51	2.93
<b>CO<sub>2</sub> sources – revenues and expenses</b>				
CO <sub>2</sub> sales and transportation fees	\$ 6,590	\$ 6,253	\$ 18,533	\$ 19,147
CO <sub>2</sub> discovery and operating expenses	(1,346)	(861)	(2,452)	(2,539)
CO <sub>2</sub> revenue and expenses, net	\$ 5,244	\$ 5,392	\$ 16,081	\$ 16,608

(1) Includes a pre-tax full cost pool ceiling test write-down of our oil and natural gas properties of \$75.5 million and \$810.9 million for the three and nine months ended September 30, 2016, respectively.

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- (2) Barrel of oil equivalent using the ratio of one barrel of oil to six Mcf of natural gas ("BOE").
- (3) See also *Commodity Derivative Contracts* below and *Item 3. Quantitative and Qualitative Disclosures about Market Risk* for information concerning our derivative transactions.
- (4) Noncash fair value gains (losses) on commodity derivatives is a non-GAAP measure and is different from "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations in that the noncash fair value gains (losses) on commodity derivatives represent only the net changes between periods of the fair market values of commodity derivative positions, and exclude the impact of settlements on commodity derivatives during the period, which were receipts on settlements of \$0.1 million for the three months ended September 30, 2017 and payments on settlements of \$38.6 million for the nine months ended September 30, 2017, compared to payments on settlements of \$7.3 million for the three months ended September 30, 2016 and receipts on settlements of \$117.0 million for the nine months ended September 30, 2016. We believe that noncash fair value gains (losses) on commodity derivatives is a useful supplemental disclosure to "Commodity derivatives expense (income)" in order to differentiate noncash fair market value adjustments from receipts or payments upon settlements on commodity derivatives during the period. This supplemental disclosure is widely used within the industry and by securities analysts, banks and credit rating agencies in calculating EBITDA and in adjusting net income (loss) to present those measures on a comparative basis across companies, as well as to assess compliance with certain debt covenants. Noncash fair value gains (losses) on commodity derivatives is not a measure of financial or operating performance under GAAP, nor should it be considered in isolation or as a substitute for "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations.

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**Production**

Average daily production by area for each of the four quarters of 2016 and for the first, second, and third quarters of 2017 is shown below:

Operating Area	Average Daily Production (BOE/d)						
	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	First Quarter 2017	Second Quarter 2017	Third Quarter 2017
<b>Tertiary oil production</b>							
<b>Gulf Coast region</b>							
Mature properties <sup>(1)</sup>	9,666	9,415	8,653	8,440	8,111	7,737	7,450
Delhi	3,971	3,996	4,262	4,387	4,991	4,965	4,619
Hastings	5,068	4,972	4,729	4,552	4,288	4,400	4,867
Heidelberg	5,346	5,246	5,000	4,924	4,730	4,996	4,927
Oyster Bayou	5,494	5,088	4,767	4,988	5,075	5,217	4,870
Tinsley	7,899	7,335	6,756	6,786	6,666	6,311	6,506
Total Gulf Coast region	37,444	36,052	34,167	34,077	33,861	33,626	33,239
<b>Rocky Mountain region</b>							
Bell Creek	3,020	3,160	3,032	3,269	3,209	3,060	3,406
Salt Creek <sup>(2)</sup>	—	—	—	—	—	23	2,228
Total Rocky Mountain region	3,020	3,160	3,032	3,269	3,209	3,083	5,634
Total tertiary oil production	40,464	39,212	37,199	37,346	37,070	36,709	38,873
<b>Non-tertiary oil and gas production</b>							
<b>Gulf Coast region</b>							
Mississippi	673	1,017	963	745	1,342	1,004	867
Texas	6,148	4,104	4,234	5,143	4,333	5,002	4,024
Other	549	456	538	569	495	460	515
Total Gulf Coast region	7,370	5,577	5,735	6,457	6,170	6,466	5,406
<b>Rocky Mountain region</b>							
Cedar Creek Anticline	17,778	16,325	16,017	15,186	15,067	15,124	14,535
Other	2,070	1,862	1,763	1,696	1,626	1,475	1,514
Total Rocky Mountain region	19,848	18,187	17,780	16,882	16,693	16,599	16,049
Total non-tertiary production	27,218	23,764	23,515	23,339	22,863	23,065	21,455
<b>Total continuing production</b>	<b>67,682</b>	<b>62,976</b>	<b>60,714</b>	<b>60,685</b>	<b>59,933</b>	<b>59,774</b>	<b>60,328</b>
<b>Property sales</b>							
2016 property divestitures <sup>(3)</sup>	1,669	1,530	819	—	—	—	—
<b>Total production</b>	<b>69,351</b>	<b>64,506</b>	<b>61,533</b>	<b>60,685</b>	<b>59,933</b>	<b>59,774</b>	<b>60,328</b>

- (1) Mature properties include Brookhaven, Cranfield, Eucutta, Little Creek, Lockhart Crossing, Mallalieu, Martinville, McComb and Soso fields.
- (2) Represents production related to the acquisition of a 23% non-operated working interest in Salt Creek Field in Wyoming, which closed on June 30, 2017.
- (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, which closed in the third quarter of 2016, and other minor property divestitures.

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##### Total Production

Total continuing production during the third quarter of 2017 averaged 60,328 BOE/d, including 38,873 Bbls/d from tertiary properties and 21,455 BOE/d from non-tertiary properties. Total continuing production during 2016 excludes production from the Williston Assets that were sold during the third quarter of 2016 and other minor property divestitures, which production totaled 819 BOE/d during the third quarter of 2016. This total continuing production level was a slight increase of 554 BOE/d (1%) compared to second quarter of 2017 production levels of 59,774 BOE/d and represents a slight decrease of 386 BOE/d (1%) compared to third quarter of 2016 production levels. Due to conditions associated with Hurricane Harvey, the Company suspended operations and temporarily shut-in all production at its Houston area fields for an approximate 10-day period beginning August 27, 2017, representing net production of approximately 16,000 BOE/d. The impacted fields included Hastings, Oyster Bayou, Conroe, Thompson, Webster and Manvel. Approximately 90% of the 16,000 BOE/d of net production shut-in had returned to production by September 6<sup>th</sup>, and the only field that remained partially shut-in was Thompson Field. Thompson Field had net production just prior to the storm of approximately 1,000 BOE/d, nearly all of which has now been returned to production. The impact of Hurricane Harvey on third quarter 2017 production was approximately 2,000 BOE/d, and the full-year impact on 2017 production is expected to be between 500 and 700 BOE/d.

Our production during the three and nine months ended September 30, 2017 was 97% oil, slightly higher than our 96% oil production during the three and nine months ended September 30, 2016.

##### Tertiary Production

Oil production from our tertiary operations during the third quarter of 2017 increased 2,164 Bbls/d (6%) when comparing the second and third quarters of 2017 and increased 1,674 Bbls/d (5%) compared to the same period in 2016. The sequential and year-over-year increases in production were primarily due to the acquisition of a 23% non-operated working interest in Salt Creek Field during the second quarter of 2017, as well as the CO<sub>2</sub> enhanced oil recovery response from phase 5 development at Bell Creek Field and the redevelopment project at Hastings Field. The increases were slightly offset by natural production declines at our mature fields in the Gulf Coast region and the weather-related downtime at our Houston area fields resulting from Hurricane Harvey, as noted above.

##### Non-Tertiary Production

Continuing production from our non-tertiary operations averaged 21,455 BOE/d during the third quarter of 2017, a decrease of 1,610 BOE/d (7%) compared to the second quarter of 2017 and a decrease of 2,060 BOE/d (9%) compared to the third quarter of 2016 levels. The sequential and year-over-year decreases were primarily due to natural production declines at Cedar Creek Anticline and the weather-related downtime at our Houston area fields resulting from Hurricane Harvey, as noted above.

##### Oil and Natural Gas Revenues

Our oil and natural gas revenues during the three and nine months ended September 30, 2017 increased 8% and 15%, respectively, compared to these revenues for the same periods in 2016. The changes in our oil and natural gas revenues are due to changes in production quantities and commodity prices (excluding any impact of our commodity derivative contracts), as reflected in the following table:

	Three Months Ended		Nine Months Ended	
	September 30, 2017 vs. 2016		September 30, 2017 vs. 2016	
<i>In thousands</i>	Increase (Decrease) in Revenues	Percentage Increase (Decrease) in Revenues	Increase (Decrease) in Revenues	Percentage Increase (Decrease) in Revenues
Change in oil and natural gas revenues due to:				
Decrease in production	\$ (4,700)	(2)%	\$ (55,128)	(8)%
Increase in commodity prices	23,800	10 %	156,815	23 %
Total increase in oil and natural gas revenues	\$ 19,100	8 %	\$ 101,687	15 %

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Excluding any impact of our commodity derivative contracts, our net realized commodity prices and NYMEX differentials were as follows during the first quarters, second quarters, third quarters and nine months ended September 30, 2017 and 2016:

	Three Months Ended				Nine Months Ended					
	March 31,		June 30,		September 30,		September 30,			
	2017	2016	2017	2016	2017	2016	2017	2016		
<b>Average net realized prices:</b>										
Oil price per Bbl	\$ 50.31	\$ 30.71	\$ 47.16	\$ 43.38	\$ 47.78	\$ 43.45	\$ 48.41	\$ 38.95		
Natural gas price per Mcf	2.50	1.70	2.46	1.50	2.24	2.33	2.39	1.82		
Price per BOE	49.35	29.76	46.12	42.02	46.67	42.38	47.37	37.80		
<b>Average NYMEX differentials:</b>										
Oil per Bbl	\$ (1.64)	\$ (3.02)	\$ (1.16)	\$ (2.18)	\$ (0.34)	\$ (1.57)	\$ (1.04)	\$ (2.51)		
Natural gas per Mcf	(0.57)	(0.29)	(0.69)	(0.73)	(0.72)	(0.47)	(0.67)	(0.53)		

Prices received in a regional market fluctuate frequently and can differ from NYMEX pricing due to a variety of reasons, including supply and/or demand factors, crude oil quality, and location differentials. Our corporate-wide oil differential during the third quarter of 2017 was \$0.34 per Bbl below NYMEX prices, which represents the best differential we have realized since the third quarter of 2013. Additional information about our oil differentials in the Gulf Coast and Rocky Mountain regions are discussed in further detail below.

Our average NYMEX oil differential in the Gulf Coast region was a positive \$0.01 per Bbl and a negative \$0.77 per Bbl during the third quarters of 2017 and 2016, respectively, and a negative \$0.78 per Bbl during the second quarter of 2017. These differentials are impacted significantly by the changes in prices received for our crude oil sold under LLS index prices relative to the change in NYMEX prices, as well as various other price adjustments such as those noted above. The quarterly average LLS-to-NYMEX differential (on a trade-month basis) was a positive \$2.37 per Bbl in the third quarter of 2017, an increase from the positive \$1.73 per Bbl in the third quarter of 2016 and positive \$1.95 per Bbl in the second quarter of 2017. During the third quarter of 2017, we sold approximately 65% of our crude oil at prices based on, or partially tied to, the LLS index price, and the balance at prices based on various other indexes tied to NYMEX prices, primarily in the Rocky Mountain region.

NYMEX oil differentials in the Rocky Mountain region averaged \$0.98 per Bbl and \$3.08 per Bbl below NYMEX during the third quarters of 2017 and 2016, respectively, and \$1.96 per Bbl below NYMEX during the second quarter of 2017. Differentials in the Rocky Mountain region can fluctuate significantly on a month-to-month basis due to weather, refinery or transportation issues, and Canadian and U.S. crude oil price index volatility.

### **Commodity Derivative Contracts**

The following table summarizes the impact our crude oil derivative contracts had on our operating results for the three and nine months ended September 30, 2017 and 2016:

<i>In thousands</i>	Three Months Ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Receipt (payment) on settlements of commodity derivatives	\$ 89	\$ (7,295)	\$ (38,618)	\$ 116,958
Noncash fair value gains (losses) on commodity derivatives <sup>(1)</sup>	(25,352)	28,519	48,330	(216,769)
Total income (expense)	<u>\$ (25,263)</u>	<u>\$ 21,224</u>	<u>\$ 9,712</u>	<u>\$ (99,811)</u>



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- (1) Noncash fair value gains (losses) on commodity derivatives is a non-GAAP measure. See *Operating Results Table* above for a discussion of the reconciliation between noncash fair value gains (losses) on commodity derivatives to "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations.

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In order to provide a level of price protection to a portion of our oil production, we have entered into a combination of oil swaps, basis swaps, collars, and three-way collars for the fourth quarter of 2017 and throughout 2018. The following table summarizes our commodity derivative contracts as of November 6, 2017:

		Oct - 17	Nov - 17	Dec - 17	1H 2018	2H 2018
<b>WTI NYMEX</b>	Volumes Hedged (Bbls/d)	12,000	12,000	12,000	15,500	15,500
Fixed-Price Swaps	Swap Price <sup>(1)</sup>	\$49.76	\$49.76	\$49.76	\$50.13	\$50.13
<b>WTI NYMEX</b>	Volumes Hedged (Bbls/d)	1,000	1,000	1,000	—	—
Collars	Ceiling Price / Floor <sup>(1)</sup>	\$70 / \$40	\$70 / \$40	\$70 / \$40	—	—
<b>WTI NYMEX</b>	Volumes Hedged (Bbls/d)	14,000	14,000	14,000	15,000	15,000
3-Way Collars	Ceiling Price / Floor / Sold Put Price <sup>(1)(2)</sup>	\$65.79 / \$41.07 / \$31.07	\$65.79 / \$41.07 / \$31.07	\$65.79 / \$41.07 / \$31.07	\$53.88 / \$46.50 / \$36.50	\$53.88 / \$46.50 / \$36.50
<b>Argus LLS</b>	Volumes Hedged (Bbls/d)	1,000	1,000	1,000	—	—
3-Way Collars	Ceiling Price / Floor / Sold Put Price <sup>(1)(2)</sup>	\$70.25 / \$41 / \$31	\$70.25 / \$41 / \$31	\$70.25 / \$41 / \$31	—	—
	Total Volumes Hedged (Bbls/d)	28,000	28,000	28,000	30,500	30,500
<b>Argus LLS</b>	Volumes Hedged (Bbls/d)	—	—	20,000	20,000	—
Basis Swaps <sup>(3)</sup>	Swap Price <sup>(1)</sup>	—	—	\$4.16	\$4.17	—

- (1) Averages are volume weighted.
- (2) If oil prices were to average less than the sold put price, receipts on settlement would be limited to the difference between the floor price and the sold put price.
- (3) The basis swap contracts establish a fixed amount for the differential between Argus WTI and Argus LLS prices on a trade-month basis for the periods indicated.

Commodity derivative contracts in place for the fourth quarter of 2017 include swaps, basis swaps, collars and three-way collars. Based on current contracts in place and NYMEX oil futures prices as of November 6, 2017, which average in the mid-\$50's per Bbl for the remainder of 2017, limited settlements are currently expected during the fourth quarter of 2017. The details of our outstanding commodity derivative contracts at September 30, 2017, are included in Note 5, *Commodity Derivative Contracts*, to the Unaudited Condensed Consolidated Financial Statements. Additionally, with the recent improvement in the basis differential between LLS and WTI pricing, we entered into basis swap contracts to lock-in that differential for a portion of our estimated oil production beginning December 2017 through the first half of 2018. Currently, our hedges in place for 2018 represent roughly half of our third quarter 2017 production levels. Depending on market conditions, we may continue to add to our existing 2018 hedges, and we may start to layer in hedges for 2019. Also, see Item 3, *Quantitative and Qualitative Disclosures about Market Risk* below for additional discussion on our commodity derivative contracts.

### Production Expenses

#### Lease Operating Expenses

<i>In thousands, except per-BOE data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Total lease operating expenses	\$ 117,768	\$ 106,522	\$ 342,926	\$ 308,988
Total lease operating expenses per BOE	\$ 21.22	\$ 18.82	\$ 20.93	\$ 17.32

Total lease operating expenses increased \$11.2 million (11%) and \$33.9 million (11%) on an absolute-dollar basis, or \$2.40 (13%) and \$3.61 (21%) on a per-BOE basis, during the three and nine months ended September 30, 2017, respectively, compared to levels in the same periods in 2016. Our lease operating expenses during the comparative third quarter periods were primarily impacted by operating expenses related to our non-operated working interest in Salt Creek Field, which was acquired on June 30, 2017, and to a lesser degree by additional expenses related to Hurricane Harvey in the third quarter of 2017 and higher CO<sub>2</sub> expense due to a CO<sub>2</sub> well workover during the third quarter of 2017. Offsetting these increases were lower expenses across various

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categories, a portion of which is due to the downtime associated with fields impacted by Hurricane Harvey. The increase during the comparative nine-month periods was further impacted by increased workover and other repair activity at certain fields, as workover activity was significantly curtailed during 2016 due to the lower oil price environment. On a per-BOE basis, our lease operating expenses have been impacted given lower production due to Hurricane Harvey and the acquisition of Salt Creek Field, which has a higher operating cost than our corporate average.

Currently, our CO<sub>2</sub> expense comprises approximately 20% of our typical tertiary lease operating expenses, and for the CO<sub>2</sub> reserves we already own, consists of CO<sub>2</sub> production expenses, and for the CO<sub>2</sub> reserves we do not own, consists of our purchase of CO<sub>2</sub> from royalty and working interest owners and industrial sources. During the third quarters of 2017 and 2016, approximately 55% and 57%, respectively, of the CO<sub>2</sub> utilized in our CO<sub>2</sub> floods consisted of CO<sub>2</sub> owned and produced by us (our net revenue interest). The price we pay others for CO<sub>2</sub> varies by source and is generally indexed to oil prices. When combining the production cost of the CO<sub>2</sub> we own with what we pay third parties for CO<sub>2</sub>, including taxes paid on CO<sub>2</sub> production but excluding depletion, depreciation and amortization of capital expended at our CO<sub>2</sub> source fields and industrial sources, our average cost of CO<sub>2</sub> was approximately \$0.46 per Mcf during the third quarter of 2017, compared to \$0.38 per Mcf during the third quarter of 2016 and the second quarter of 2017. These increases were primarily attributable to a CO<sub>2</sub> well workover completed during the third quarter of 2017.

#### *Marketing and Plant Operating Expenses*

Marketing and plant operating expenses primarily consist of amounts incurred relating to the marketing, processing, and transportation of oil and natural gas production, and to a lesser extent expenses related to our Riley Ridge gas processing facility. Marketing and plant operating expenses were \$11.8 million and \$14.5 million for the three months ended September 30, 2017 and 2016, respectively, and \$39.8 million and \$40.6 million for the nine months ended September 30, 2017 and 2016, respectively.

#### *Taxes Other Than Income*

Taxes other than income includes production, ad valorem and franchise taxes. Taxes other than income was relatively unchanged during the three months ended September 30, 2017 compared to the same prior-year period and increased \$2.9 million (5%) during the nine months ended September 30, 2017 compared to the same period in 2016, due primarily to an increase in production taxes resulting from higher oil and natural gas revenues.

#### *General and Administrative Expenses ("G&A")*

<i>In thousands, except per-BOE data and employees</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Gross cash compensation and administrative costs	\$ 64,104	\$ 60,532	\$ 193,853	\$ 202,012
Gross stock-based compensation	4,252	7,034	15,684	14,159
Operator labor and overhead recovery charges	(32,211)	(32,180)	(96,319)	(100,178)
Capitalized exploration and development costs	(8,872)	(10,743)	(31,915)	(34,904)
Net G&A expense	\$ 27,273	\$ 24,643	\$ 81,303	\$ 81,089
<b>G&amp;A per BOE:</b>				
Net administrative costs	\$ 4.32	\$ 3.37	\$ 4.22	\$ 4.04
Net stock-based compensation	0.59	0.98	0.74	0.50
Net G&A expenses	\$ 4.91	\$ 4.35	\$ 4.96	\$ 4.54
Employees as of September 30	897	1,050		

Our gross G&A expenses on an absolute-dollar basis were relatively flat during the three months ended September 30, 2017 and decreased \$6.6 million (3%) during the nine months ended September 30, 2017 compared to the same periods in 2016, respectively. As part of our continued efforts to reduce overhead and operating costs, we reduced our employee headcount through

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involuntary workforce reductions in each of the last three years, which contributed to an overall headcount reduction of approximately 40% from year-end 2014 levels. The severance-related payments associated with the workforce reductions were approximately \$6.8 million for 2017, recognized in the third quarter of 2017, and \$9.3 million for 2016, recognized in the first quarter of 2016. The nine-month period ended September 30, 2017 was further impacted by lower professional services fees, partially offset by compensation associated with the retirement of our chief executive officer.

Net G&A expense on a per-BOE basis increased 13% and 9% during the three and nine months ended September 30, 2017, respectively, compared to levels in the same periods in 2016 due to lower capitalized exploration and development costs and lower production volumes during the 2017 periods, partially offset by the items previously mentioned impacting gross G&A. The three-month period was further impacted by the severance-related payments noted above.

Our well operating agreements allow us, when we are the operator, to charge a well with a specified overhead rate during the drilling phase and also to charge a monthly fixed overhead rate for each producing well. In addition, salaries associated with field personnel are initially recorded as gross cash compensation and administrative costs and subsequently reclassified to lease operating expenses or capitalized to field development costs to the extent those individuals are dedicated to oil and gas production, exploration, and development activities.

#### Interest and Financing Expenses

<i>In thousands, except per-BOE data and interest rates</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Cash interest <sup>(1)</sup>	\$ 45,110	\$ 42,718	\$ 130,962	\$ 130,511
Less: interest on 2021 Senior Secured Notes not reflected as interest for financial reporting purposes <sup>(1)</sup>	(12,604)	(12,533)	(37,761)	(19,569)
Noncash interest expense	1,456	1,468	4,801	11,009
Less: capitalized interest	(9,416)	(6,875)	(22,217)	(18,944)
Interest expense, net	\$ 24,546	\$ 24,778	\$ 75,785	\$ 103,007
Interest expense, net per BOE	\$ 4.42	\$ 4.38	\$ 4.63	\$ 5.77
Average debt principal outstanding	\$ 2,971,205	\$ 2,798,660	\$ 2,887,010	\$ 3,042,807
Average interest rate <sup>(2)</sup>	6.1%	6.1%	6.0%	5.7%

(1) Cash interest is presented on an accrual basis, and includes the portion of interest on our 2021 Senior Secured Notes (interest on which is to be paid semiannually May 15 and November 15 of each year) versus the GAAP financial statement presentation in which interest on these notes is accounted for as debt and not reflected as interest for financial reporting purposes in accordance with Financial Accounting Standards Board Codification 470-60, *Troubled Debt Restructuring by Debtors*.

(2) Includes commitment fees but excludes debt issue costs and amortization of discount or premium.

As reflected in the table above, cash interest during the three months ended September 30, 2017 increased \$2.4 million (6%) when compared to the prior-year period due primarily to a higher average interest rate and higher borrowings on our senior secured bank credit facility during the 2017 period. Interest on 2021 Senior Secured Notes not reflected as interest for financial reporting purposes increased during the nine months ended September 30, 2017 when compared to the 2016 period, as the exchange transactions were completed during May 2016; therefore, the 2016 period does not include a full year of future interest on the 2021 Senior Secured Notes. Noncash interest expense during the nine months ended September 30, 2017 decreased when compared to the same prior-year period primarily due to the 2016 period including a \$5.5 million write-off of debt issuance costs. Capitalized interest during the three and nine months ended September 30, 2017 increased \$2.5 million (37%) and \$3.3 million (17%), respectively, compared to the same periods in 2016, primarily due to an increase in the number of projects that qualify for interest capitalization.

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#### Depletion, Depreciation, and Amortization ("DD&A")

<i>In thousands, except per-BOE data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Oil and natural gas properties	\$ 29,990	\$ 29,353	\$ 86,973	\$ 120,174
CO <sub>2</sub> properties, pipelines, plants and other property and equipment	22,111	25,659	67,475	78,745
Total DD&A	<u>\$ 52,101</u>	<u>\$ 55,012</u>	<u>\$ 154,448</u>	<u>\$ 198,919</u>
<b>DD&amp;A per BOE:</b>				
Oil and natural gas properties	\$ 5.40	\$ 5.24	\$ 5.31	\$ 6.79
CO <sub>2</sub> properties, pipelines, plants and other property and equipment	3.99	4.48	4.12	4.36
Total DD&A cost per BOE	<u>\$ 9.39</u>	<u>\$ 9.72</u>	<u>\$ 9.43</u>	<u>\$ 11.15</u>
Write-down of oil and natural gas properties	\$ —	\$ 75,521	\$ —	\$ 810,921

The decrease in our oil and natural gas properties depletion during the nine months ended September 30, 2017 when compared to the same period in 2016 was primarily due to a reduction in depletable costs associated with our reserves base resulting from the full cost pool ceiling test write-downs recognized during 2016 and an overall reduction in future development costs, partially offset by reductions in proved oil and natural gas reserve quantities. The per-BOE decrease was also partially offset by a decrease in production volumes during 2017 when compared to production in the 2016 period.

The decrease in depletion and depreciation of our CO<sub>2</sub> properties, pipelines, plants and other property and equipment was primarily due to a decrease in plant depreciation due to the accelerated depreciation charge at the Riley Ridge gas processing facility during the fourth quarter of 2016.

#### 2016 Write-Down of Oil and Natural Gas Properties

Under full cost accounting rules, we are required each quarter to perform a ceiling test calculation. Under these rules, the full cost ceiling value is calculated using the average first-day-of-the-month oil and natural gas price for each month during a 12-month rolling period ended as of each quarterly reporting period. The falling prices in 2016, relative to 2015 prices, led to our recognizing full cost pool ceiling test write-downs of \$75.5 million, \$479.4 million and \$256.0 million during the three months ended September 30, June 30 and March 31, 2016, respectively. We have not recorded a full cost pool ceiling test write-down during the first nine months of 2017.

#### Income Taxes

<i>In thousands, except per-BOE amounts and tax rates</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Current income tax expense (benefit)	\$ 1,072	\$ (1,046)	\$ (18,828)	\$ (1,051)
Deferred income tax expense (benefit)	(15,301)	(13,519)	35,846	(331,574)
Total income tax expense (benefit)	<u>\$ (14,229)</u>	<u>\$ (14,565)</u>	<u>\$ 17,018</u>	<u>\$ (332,625)</u>
Average income tax benefit per BOE	\$ (2.57)	\$ (2.57)	\$ 1.04	\$ (18.64)
Effective tax rate	103.2%	37.2%	31.9%	36.0%
Total net deferred tax liability	\$ 329,724	\$ 505,689		

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### Denbury Resources Inc.

#### Management's Discussion and Analysis of Financial Condition and Results of Operations

We evaluate our estimated annual effective income tax rate based on current and forecasted business results and enacted tax laws on a quarterly basis and apply this tax rate to our ordinary income or loss to calculate our estimated tax liability or benefit. Our income taxes are based on an estimated statutory rate of approximately 38% in 2017 and 2016. Our effective tax rate for the three months ended September 30, 2017, differed from our estimated statutory rate, primarily due to the impact of recognizing a tax benefit of \$8.6 million in the current quarter for enhanced oil recovery income tax credits, which was offset in part by a stock-based compensation deduction shortfall (tax deduction less than book expense) of \$2.1 million. With pre-tax income for the three months ended September 30, 2017 being close to break-even, the net tax benefit from these items had a significant impact on the current quarter's effective tax rate.

The current income tax benefit for the nine months ended September 30, 2017, represents the estimated receivable associated with tax planning strategies that will allow us to recover alternative minimum tax credits. The deferred income tax benefits during the three and nine months ended September 30, 2016, were primarily due to the impact of the write-down of our oil and natural gas properties during the periods.

As of September 30, 2017, we had an estimated \$49.2 million of enhanced oil recovery credits to carry forward related to our tertiary operations, \$21.6 million of research and development credits, and \$20.3 million of alternative minimum tax credits (net of \$12.0 million and \$8.8 million related to the estimated credits applied, and to be applied to our 2016 and 2017 tax returns, respectively) that can be utilized to reduce our current income taxes during 2017 or future years. The enhanced oil recovery credits and research and development credits do not begin to expire until 2024 and 2031, respectively.

#### Per-BOE Data

The following table summarizes our cash flow and results of operations on a per-BOE basis for the comparative periods. Each of the significant individual components is discussed above.

<i>Per-BOE data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Oil and natural gas revenues	\$ 46.67	\$ 42.38	\$ 47.37	\$ 37.80
Receipt (payment) on settlements of commodity derivatives	0.02	(1.29)	(2.36)	6.55
Lease operating expenses	(21.22)	(18.82)	(20.93)	(17.32)
Production and ad valorem taxes	(3.32)	(3.18)	(3.51)	(2.93)
Marketing expenses, net of third-party purchases, and plant operating expenses	(1.75)	(1.99)	(1.82)	(1.89)
Production netback	20.40	17.10	18.75	22.21
CO <sub>2</sub> sales, net of operating and exploration expenses	0.95	0.95	0.98	0.93
General and administrative expenses	(4.91)	(4.35)	(4.96)	(4.54)
Interest expense, net	(4.42)	(4.38)	(4.63)	(5.77)
Other	0.27	1.56	1.78	(0.98)
Changes in assets and liabilities relating to operations	(0.46)	6.15	(3.20)	(2.92)
Cash flows from operations	11.83	17.03	8.72	8.93
DD&A	(9.39)	(9.72)	(9.43)	(11.15)
Write-down of oil and natural gas properties	—	(13.34)	—	(45.45)
Deferred income taxes	2.76	2.39	(2.19)	18.58
Gain on debt extinguishment	—	1.38	—	6.45
Noncash fair value gains (losses) on commodity derivatives <sup>(1)</sup>	(4.57)	5.04	2.95	(12.14)
Other noncash items	(0.55)	(7.12)	2.17	1.69
Net income (loss)	\$ 0.08	\$ (4.34)	\$ 2.22	\$ (33.09)

## Table of Contents

### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

- (1) Noncash fair value gains (losses) on commodity derivatives is a non-GAAP measure. See *Operating Results Table* above for a discussion of the reconciliation between noncash fair value gains (losses) on commodity derivatives to "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations.

## CRITICAL ACCOUNTING POLICIES

For additional discussion of our critical accounting policies, which remain unchanged, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Form 10-K.

## FORWARD-LOOKING INFORMATION

The data and/or statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, but not limited to, statements found in the section *Management's Discussion and Analysis of Financial Condition and Results of Operations*, are forward-looking statements, as that term is defined in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve a number of risks and uncertainties. Such forward-looking statements may be or may concern, among other things, financial forecasts, future hydrocarbon prices and timing and degree of any price recovery versus 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 further 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 prices and oilfield costs, current or future expectations or estimations of our cash flows, availability of capital, borrowing capacity, future interest rates, 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, closing of proposed asset sales or the timing or proceeds thereof, estimated timing of commencement of CO<sub>2</sub> flooding of particular fields or areas, likelihood of completion of to-be-constructed industrial plants and the initial date of capture of CO<sub>2</sub> from such plants, timing of CO<sub>2</sub> 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, interpretation or prediction of formation details, production rates and volumes or forecasts thereof, hydrocarbon reserve quantities and values, CO<sub>2</sub> reserves and supply and their availability, potential reserves, barrels or percentages of recoverable original oil in place, potential increases in regional or worldwide tariffs or other trade restrictions, the likelihood, timing and impact of increased interest rates, the impact of regulatory rulings or changes, anticipated outcomes of pending litigation, prospective legislation affecting the oil and gas industry, environmental regulations, mark-to-market values, competition, long-term forecasts of production, rates of return, estimated costs, changes in costs, future capital expenditures and overall economics, worldwide economic conditions and other variables surrounding our estimated original oil in place, operations and future plans. Such forward-looking statements generally are accompanied by words such as "plan," "estimate," "expect," "predict," "forecast," "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; accuracy of our cost estimates; availability of credit in the commercial banking market; 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, forest fires, or other natural occurrences; acquisition risks; requirements for capital or its availability; conditions in the worldwide financial, trade and credit markets; general economic conditions; competition; government regulations, including changes in tax or environmental laws or regulations; 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.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk***Debt and Interest Rate Sensitivity*

We finance some of our acquisitions and other expenditures with fixed and variable rate debt. These debt agreements expose us to market risk related to changes in interest rates. As of September 30, 2017, we had \$495.0 million of debt outstanding on our senior secured bank credit facility. At this level of variable-rate debt, an increase or decrease of 10% in interest rates would have an immaterial effect on our interest expense. None of our existing debt has any triggers or covenants regarding our debt ratings with rating agencies, although under the NEJD financing lease, in light of credit downgrades in February 2016, we were required to provide a \$41.3 million letter of credit to the lessor, which we provided on March 4, 2016. The letter of credit may be drawn upon in the event we fail to make a payment due under the pipeline financing lease agreement or upon other specified defaults set out in the pipeline financing lease agreement (filed as Exhibit 99.1 to the Form 8-K filed with the SEC on June 5, 2008). The fair values of our 2021 Senior Secured Notes and senior subordinated notes are based on quoted market prices. The following table presents the principal cash flows and fair values of our outstanding debt as of September 30, 2017:

<i>In thousands</i>	2017	2019	2021	2022	2023	Total	Fair Value
<b>Variable rate debt:</b>							
Senior Secured Bank Credit Facility (weighted average interest rate of 4.3% at September 30, 2017)	\$ —	\$ 495,000	\$ —	\$ —	\$ —	\$ 495,000	\$ 495,000
<b>Fixed rate debt:</b>							
9% Senior Secured Second Lien Notes due 2021	—	—	614,919	—	—	614,919	600,345
6 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes due 2021	—	—	215,144	—	—	215,144	128,828
5 <sup>1</sup> / <sub>2</sub> % Senior Subordinated Notes due 2022	—	—	—	772,912	—	772,912	440,328
4 <sup>5</sup> / <sub>8</sub> % Senior Subordinated Notes due 2023	—	—	—	—	622,297	622,297	329,817
Other Subordinated Notes	2,250	—	—	—	—	2,250	2,250

See Note 3, *Long-Term Debt*, to the Unaudited Condensed Consolidated Financial Statements for details regarding our long-term debt.

*Commodity Derivative Contracts*

We enter into oil derivative contracts to provide an economic hedge of our exposure to commodity price risk associated with anticipated future oil production and to provide more certainty to our future cash flows. We do not hold or issue derivative financial instruments for trading purposes. Generally, these contracts have consisted of various combinations of price floors, collars, three-way collars, fixed-price swaps, fixed-price swaps enhanced with a sold put, and basis swaps. The production that we hedge has varied from year to year depending on our levels of debt, financial strength, and expectation of future commodity prices. In order to provide a level of price protection to a portion of our oil production, we have hedged a portion of our estimated oil production through 2018 using both NYMEX and LLS fixed-price swaps, collars and three-way collars. Additionally, with the recent improvement in the basis differential between LLS and WTI pricing, we entered into basis swap contracts to lock-in that differential for a portion of our estimated oil production beginning December 2017 through the first half of 2018. Currently, our hedges in place for 2018 represent roughly half of our third quarter 2017 production levels. Depending on market conditions, we may continue to add to our existing 2018 hedges, and we may start to layer in hedges for 2019. See also Note 5, *Commodity Derivative Contracts*, and Note 6, *Fair Value Measurements*, to the Unaudited Condensed Consolidated Financial Statements for additional information regarding our commodity derivative contracts.

All of the mark-to-market valuations used for our commodity derivatives are provided by external sources. We manage and control market and counterparty credit risk through established internal control procedures that are reviewed on an ongoing basis. We attempt to minimize credit risk exposure to counterparties through formal credit policies, monitoring procedures and diversification. All of our commodity derivative contracts are with parties that are lenders under our senior secured bank credit facility (or affiliates of such lenders). We have included an estimate of nonperformance risk in the fair value measurement of our commodity derivative contracts, which we have measured for nonperformance risk based upon credit default swaps or credit spreads.



For accounting purposes, we do not apply hedge accounting treatment to our commodity derivative contracts. This means that any changes in the fair value of these commodity derivative contracts will be charged to earnings instead of charging the effective portion to other comprehensive income and the ineffective portion to earnings.

At September 30, 2017, our commodity derivative contracts were recorded at their fair value, which was a net liability of \$20.9 million, a \$25.3 million decrease from the \$4.4 million net asset recorded at June 30, 2017, and a \$48.4 million decrease from the \$69.3 million net liability recorded at December 31, 2016. Changes in this value are comprised of the expiration of commodity derivative contracts during the three and nine months ended September 30, 2017, new commodity derivative contracts entered into during 2017 for future periods, and to the changes in oil futures prices between December 31, 2016 and September 30, 2017.

#### *Commodity Derivative Sensitivity Analysis*

Based on NYMEX and LLS crude oil futures prices as of September 30, 2017, and assuming both a 10% increase and decrease thereon, we would expect to make payments on our crude oil derivative contracts as shown in the following table:

<i>In thousands</i>	<u>Receipt / (Payment)</u>
	<u>Crude Oil Derivative Contracts</u>
Based on:	
Futures prices as of September 30, 2017	\$ (12,685)
10% increase in prices	(66,466)
10% decrease in prices	25,696

Our commodity derivative contracts are used as an economic hedge of our exposure to commodity price risk associated with anticipated future production. As a result, changes in receipts or payments of our commodity derivative contracts due to changes in commodity prices as reflected in the above table would be mostly offset by a corresponding increase or decrease in the cash receipts on sales of our oil production to which those commodity derivative contracts relate.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.** As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2017, to ensure that information that is required to be disclosed in the reports the Company files and submits under the Securities Exchange Act of 1934 is recorded, that it is processed, summarized and reported within the time periods specified in the SEC's rules and forms; and that information that is required to be disclosed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

**Evaluation of Changes in Internal Control over Financial Reporting.** Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have determined that, during the third quarter of fiscal 2017, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are involved in various lawsuits, claims and regulatory proceedings incidental to our businesses. While we currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our business or finances, litigation is subject to inherent uncertainties. Although a single or multiple adverse rulings or settlements could possibly have a material adverse effect on our business or finances, we only accrue for losses from litigation and claims if we determine that a loss is probable and the amount can be reasonably estimated.

*Riley Ridge Helium Supply Contract Claim*

As part of our 2010 and 2011 acquisitions of the Riley Ridge Unit and associated gas processing facility that was under construction, we assumed a 20-year helium supply contract under which we agreed to supply to a third-party purchaser the helium separated from the full well stream by operation of the gas processing facility. The helium supply contract provides for the delivery of a minimum contracted quantity of helium, subject to adjustment after startup of the Riley Ridge gas processing facility, with liquidated damages payable if specified quantities of helium are not supplied in accordance with the terms of the contract. The liquidated damages are capped at \$8.0 million per contract year and are capped at an aggregate of \$46.0 million over the remaining term of the contract. As the gas processing facility has been shut-in since mid-2014, we have not been able to supply helium to the third-party purchaser under the helium supply contract. In a case originally filed in November 2014 by APMTG Helium, LLC, the third-party helium purchaser, in the Ninth Judicial District Court of Sublette County, Wyoming, after a week of trial during February 2017 on the third-party purchaser's claim for multiple years of liquidated damages for non-delivery of volumes of helium specified under the helium supply contract, and on our claim that the contractual obligation is excused by virtue of events that fall within the force majeure provisions in the helium supply contract, the trial was stayed until November 27, 2017. The Company plans to continue to vigorously defend its position and pursue its claim, but we are unable to predict at this time the outcome of this dispute.

**Item 1A. Risk Factors**

Information with respect to the Company's risk factors has been incorporated by reference to Item 1A of the Form 10-K. There have been no material changes to the risk factors contained in the Form 10-K since its filing.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

The following table summarizes purchases of our common stock during the third quarter of 2017:

Month	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup> (in millions)
July 2017	926,368	\$ 1.52	—	\$ 210.1
August 2017	6,085	1.16	—	210.1
September 2017	44,576	1.10	—	210.1
Total	<u>977,029</u>		<u>—</u>	

- (1) Shares purchased during the third quarter of 2017 were made in connection with the surrender of shares by our employees to satisfy their tax withholding requirements related to the vesting of restricted shares.
- (2) In October 2011, we commenced a common share repurchase program, which has been approved for up to an aggregate of \$1.162 billion of Denbury common shares by the Company's Board of Directors. This program has effectively been suspended and we do not anticipate repurchasing shares of our common stock as long as industry commodity pricing and general economic conditions persist. The program has no pre-established ending date and may be suspended or discontinued at any time. We are not obligated to repurchase any dollar amount or specific number of shares of our common stock under the program.

Between early October 2011, when we announced commencement of a common share repurchase program, and October 2015, we repurchased 64.4 million shares of Denbury common stock (approximately 16.0% of our outstanding shares of common stock at September 30, 2011) for \$951.8 million, with no repurchases made since October 2015.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Exhibit</b>
4(a)*	Second Supplemental Indenture for 6 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes due 2021, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee.
4(b)*	Second Supplemental Indenture for 4 <sup>5</sup> / <sub>8</sub> % Senior Subordinated Notes due 2023, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee.
4(c)*	Second Supplemental Indenture for 5 <sup>1</sup> / <sub>2</sub> % Senior Subordinated Notes due 2022, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee.
4(d)*	First Supplemental Indenture for 9% Senior Secured Second Lien Notes due 2021, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee and Collateral Trustee.
10(a)*	Form of Indemnification Agreement, dated as of September 1, 2017, by and between Denbury Resources Inc. and its officers and directors.
10(b)*	Fifth Amendment to Amended and Restated Credit Agreement, dated as of November 6, 2017, by and among Denbury Resources Inc., as Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, and the financial institutions party thereto.
31(a)*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files.

\* Included herewith.

**Denbury Resources Inc.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DENBURY RESOURCES INC.

November 7, 2017

/s/ Mark C. Allen

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Mark C. Allen  
Executive Vice President and Chief Financial Officer

November 7, 2017

/s/ Alan Rhoades

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Alan Rhoades  
Vice President and Chief Accounting Officer

Denbury Resources Inc.

INDEX TO EXHIBITS

<b>Exhibit No.</b>	<b>Exhibit</b>
4(a)	Second Supplemental Indenture for 6 $\frac{3}{8}$ % Senior Subordinated Notes due 2021, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee.
4(b)	Second Supplemental Indenture for 4 $\frac{5}{8}$ % Senior Subordinated Notes due 2023, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee.
4(c)	Second Supplemental Indenture for 5 $\frac{1}{2}$ % Senior Subordinated Notes due 2022, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee.
4(d)	First Supplemental Indenture for 9% Senior Secured Second Lien Notes due 2021, dated as of September 8, 2017, by and among Denbury Resources Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as Trustee and Collateral Trustee.
10(a)	Form of Indemnification Agreement, dated as of September 1, 2017, by and between Denbury Resources Inc. and its officers and directors.
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101	Interactive Data Files.

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”), dated as of September 8, 2017 among DENBURY RESOURCES INC., a Delaware corporation (the “Company”), on behalf of itself and the Subsidiary Guarantors under the Indenture referred to below (the “Existing Subsidiary Guarantors”), WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee under the Indenture referred to below (the “Trustee”), and the following indirect, wholly-owned subsidiaries of the Company (referred to herein collectively as the “New Subsidiary Guarantors”): (1) DENBURY BROOKHAVEN PIPELINE, LLC, a Delaware limited liability company and (2) DENBURY BROOKHAVEN PIPELINE PARTNERSHIP, LP, a Delaware limited partnership.

WITNESSETH:

WHEREAS the Company has heretofore executed and delivered to the Trustee an Indenture dated as of February 17, 2011 (the “Original Indenture”), as supplemented by that certain First Supplemental Indenture dated as of December 31, 2014 (together with the Original Indenture, the “Indenture”) providing for the issuance of 6 3/8% Senior Subordinated Notes due 2021 (the “Securities”);

WHEREAS the Company desires to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall fully and unconditionally guarantee all of the obligations of the Company under the Securities pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Company and Existing Subsidiary Guarantors are authorized to execute and deliver this Second Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantors, the Company, the Existing Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

1. Definitions.

(a) Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(b) For all purposes of this Second Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words “herein,” “hereof” and “hereby” and other words of similar import used in this Second Supplemental Indenture refer to this Second Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Subsidiary Guarantor hereby agrees, jointly and severally with all other Existing Subsidiary Guarantors, to guarantee all of the obligations of the Company under the Securities on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture. The Obligations of the New Subsidiary Guarantors shall be subordinated to all existing



and future Senior Indebtedness of such Subsidiary Guarantors as set forth in Article 12 of the Indenture.

3. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

4. Governing Law. **THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

6. Counterparts. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

DENBURY BROOKHAVEN PIPELINE, LLC

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY BROOKHAVEN PIPELINE  
PARTNERSHIP, LP

By: Denbury Brookhaven Pipeline, LLC, its  
general partner

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY RESOURCES INC., on behalf of itself  
and the Existing Subsidiary Guarantors

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet  
Name: Shawn Goffinet  
Title: Assistant Vice President

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”), dated as of September 8, 2017 among DENBURY RESOURCES INC., a Delaware corporation (the “Company”), on behalf of itself and the Subsidiary Guarantors under the Indenture referred to below (the “Existing Subsidiary Guarantors”), WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee under the Indenture referred to below (the “Trustee”), and the following indirect, wholly-owned subsidiaries of the Company (referred to herein collectively as the “New Subsidiary Guarantors”): (1) DENBURY BROOKHAVEN PIPELINE, LLC, a Delaware limited liability company and (2) DENBURY BROOKHAVEN PIPELINE PARTNERSHIP, LP, a Delaware limited partnership.

WITNESSETH:

WHEREAS the Company has heretofore executed and delivered to the Trustee an Indenture dated as of February 5, 2013 (the “Original Indenture”), as supplemented by that certain First Supplemental Indenture dated as of December 31, 2014 (together with the Original Indenture, the “Indenture”) providing for the issuance of 4 5/8% Senior Subordinated Notes due 2023 (the “Securities”);

WHEREAS the Company desires to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall fully and unconditionally guarantee all of the obligations of the Company under the Securities pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Company and Existing Subsidiary Guarantors are authorized to execute and deliver this Second Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantors, the Company, the Existing Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

1. Definitions.

(a) Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(b) For all purposes of this Second Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words “herein,” “hereof” and “hereby” and other words of similar import used in this Second Supplemental Indenture refer to this Second Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Subsidiary Guarantor hereby agrees, jointly and severally with all other Existing Subsidiary Guarantors, to guarantee all of the obligations of the Company under the Securities on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture. The Obligations of the New Subsidiary Guarantors shall be subordinated to all existing

and future Senior Indebtedness of such Subsidiary Guarantors as set forth in Article 12 of the Indenture.

3. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

4. Governing Law. **THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

6. Counterparts. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

DENBURY BROOKHAVEN PIPELINE, LLC

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY BROOKHAVEN PIPELINE  
PARTNERSHIP, LP

By: Denbury Brookhaven Pipeline, LLC, its  
general partner

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY RESOURCES INC., on behalf of itself  
and the Existing Subsidiary Guarantors

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet  
Name: Shawn Goffinet  
Title: Assistant Vice President

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”), dated as of September 8, 2017 among DENBURY RESOURCES INC., a Delaware corporation (the “Company”), on behalf of itself and the Subsidiary Guarantors under the Indenture referred to below (the “Existing Subsidiary Guarantors”), WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee under the Indenture referred to below (the “Trustee”), and the following indirect, wholly-owned subsidiaries of the Company (referred to herein collectively as the “New Subsidiary Guarantors”): (1) DENBURY BROOKHAVEN PIPELINE, LLC, a Delaware limited liability company and (2) DENBURY BROOKHAVEN PIPELINE PARTNERSHIP, LP, a Delaware limited partnership.

WITNESSETH:

WHEREAS the Company has heretofore executed and delivered to the Trustee an Indenture dated as of April 30, 2014 (the “Original Indenture”), as supplemented by that certain First Supplemental Indenture dated as of December 31, 2014 (together with the Original Indenture, the “Indenture”) providing for the issuance of 5½% Senior Subordinated Notes due 2022 (the “Securities”);

WHEREAS the Company desires to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall fully and unconditionally guarantee all of the obligations of the Company under the Securities pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Company and Existing Subsidiary Guarantors are authorized to execute and deliver this Second Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantors, the Company, the Existing Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

1. Definitions.

(a) Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(b) For all purposes of this Second Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words “herein,” “hereof” and “hereby” and other words of similar import used in this Second Supplemental Indenture refer to this Second Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Subsidiary Guarantor hereby agrees, jointly and severally with all other Existing Subsidiary Guarantors, to guarantee all of the obligations of the Company under the Securities on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture. The Obligations of the New Subsidiary Guarantors shall be subordinated to all existing

and future Senior Indebtedness of such Subsidiary Guarantors as set forth in Article 12 of the Indenture.

3. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

4. Governing Law. **THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

6. Counterparts. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

DENBURY BROOKHAVEN PIPELINE, LLC

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY BROOKHAVEN PIPELINE  
PARTNERSHIP, LP

By: Denbury Brookhaven Pipeline, LLC, its  
general partner

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY RESOURCES INC., on behalf of itself  
and the Existing Subsidiary Guarantors

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet  
Name: Shawn Goffinet  
Title: Assistant Vice President



FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this “First Supplemental Indenture”), dated as of September 8, 2017, among DENBURY BROOKHAVEN PIPELINE, LLC, a Delaware limited liability company and DENBURY BROOKHAVEN PIPELINE PARTNERSHIP, LP, a Delaware limited partnership (the “New Subsidiary Guarantors”), subsidiaries of Denbury Resources Inc. (or its successor) (the “Company”), DENBURY RESOURCES INC., a Delaware corporation, on behalf of itself and the Subsidiary Guarantors (the “Existing Subsidiary Guarantors”) under the Indenture referred to below, and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee under the indenture referred to below (the “Trustee”) and collateral trustee under the indenture referred to below (the “Collateral Trustee”).

WITNESSETH:

WHEREAS the Company has heretofore executed and delivered to the Trustee an Indenture (the “Indenture”) dated as of May 10, 2016, providing for the issuance of 9% Senior Secured Second Lien Notes due 2021 (the “Securities”);

WHEREAS Section 4.13 of the Indenture provides that under certain circumstances the Company is required to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall unconditionally guarantee all of the Company’s obligations under the Securities pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Company and Existing Subsidiary Guarantors are authorized to execute and deliver this First Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantors, the Company, the Existing Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

1. Definitions.

(a) Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(b) For all purposes of this First Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words “herein,” “hereof” and “hereby” and other words of similar import used in this First Supplemental Indenture refer to this First Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Subsidiary Guarantor hereby agrees, jointly and severally with all other Subsidiary Guarantors, to guarantee the Company’s obligations under the Securities on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture. The Obligations of the New Subsidiary Guarantors will rank equally and ratably in right of payment with all existing and future Senior Indebtedness of such Subsidiary Guarantor.

3. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and

provisions thereof shall remain in full force and effect. This First Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder heretofore or hereafter authenticated and delivered shall be bound hereby.

4. Governing Law. **THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Trustee Makes No Representation. The Trustee and Collateral Trustee make no representation as to the validity or sufficiency of this First Supplemental Indenture.

6. Counterparts. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[Signature pages follows]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first above written.

DENBURY BROOKHAVEN PIPELINE, LLC

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY BROOKHAVEN PIPELINE  
PARTNERSHIP, LP

By: Denbury Brookhaven Pipeline, LLC, its  
general partner

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

DENBURY RESOURCES INC., on behalf of itself  
and the Existing Subsidiary Guarantors

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet

Name: Shawn Goffinet

Title: Assistant Vice President

WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Collateral Trustee

By: /s/ Shawn Goffinet

Name: Shawn Goffinet

Title: Assistant Vice President

THIS INDEMNIFICATION AGREEMENT (this “Agreement”), dated as of \_\_\_\_\_, 20\_\_ (the “Effective Date”), is by and between Denbury Resources Inc., a corporation incorporated under the Delaware General Corporation Law (the “Company”), and \_\_\_\_\_ (“Indemnitee”), [a director/an officer] of the Company as of the Effective Date.

#### Preliminary Statements

Competent and experienced persons are becoming more reluctant to serve as directors or officers of corporations unless they are provided with adequate protection against claims and actions against them for their activities on behalf, or at the request, of such corporations, generally through insurance and indemnification.

Uncertainties in the interpretations of the statutes, regulations, laws and public policies relating to indemnification of corporate directors and officers are such as to make adequate, reliable assessment of the risks to which directors and officers of such corporations may be exposed difficult, particularly in light of the proliferation of lawsuits against directors and officers generally.

The Board of Directors of the Company (the “Board”), based upon the collective business experience of the directors comprising the Board, has concluded that the continuation of present trends in litigation against corporate directors and officers will inevitably make it more difficult for the Company to attract and retain directors and officers of the highest degree of competence committed to the active and effective direction and supervision of the business and affairs of the Company and its subsidiaries and affiliates, and the operation of its and their facilities, and the Board deems such consequences to be so detrimental to the best interests of the Company that it has concluded that the Company should act to provide its directors and officers with enhanced protection against inordinate risks attendant on their positions in order to assure that the most capable persons otherwise available will be attracted to, or will remain in, such positions.

In connection with the foregoing, the Board has further concluded that it is not only reasonable and prudent, but necessary, for the Company to obligate itself contractually to indemnify to the fullest extent permitted by applicable law its directors and certain of its officers and certain persons serving other entities on behalf, or at the request, of the Company, and to assume, to the maximum extent permitted by applicable law, financial responsibility for expenses and liabilities which might be incurred by such individuals in connection with claims lodged against them for their decisions and actions in such capacities.

Section 145(a) of the Delaware General Corporation Law (the “DGCL”), under which the Company is incorporated, provides that a corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement

actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

In addition, Section 145(b) of the DGCL provides that a corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

In addition, Section 145(g) of the DGCL provides that a corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145 of the DGCL.

The Company desires to hold harmless and indemnify Indemnitee to the fullest extent permitted or required by the provisions of the DGCL or court interpretations thereunder as it is presently constituted and as it may be amended from time to time; provided, however, that in the case of any amendment to the DGCL, the Company's obligations to hold harmless and indemnify Indemnitee shall be changed only to the extent that such amendment to the DGCL permits or requires the Company to provide broader indemnification rights than prior to such amendment.

The Company desires to have Indemnitee serve or continue to serve as an officer of the Company or at the request of the Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise (each a "Company Affiliate") of which he has been or is serving, or will serve at the request of the Company, free from undue concern for unpredictable, inappropriate or unreasonable claims for damages by reason of his being, or

having been, an officer of the Company or a director or officer of a Company Affiliate or by reason of his decisions or actions on their behalf.

Indemnitee is willing to serve, or to continue to serve, or to take on additional service for, the Company or the Company's Affiliates in such aforesaid capacities on the condition that he be indemnified as provided for herein.

Accordingly, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve as an officer of the Company (at the will of the Company or under a separate contract, if any such contract shall hereafter exist) or as a director or officer of a Company Affiliate faithfully and to the best of his ability so long as he is duly elected and/or appointed and qualified in accordance with the provisions of the Company's Bylaws or other applicable constitutive documents; provided, however, that (a) Indemnitee may at any time and for any reason resign from such position (subject to any contractual obligations which Indemnitee shall have assumed apart from this Agreement) and (b) neither the Company nor any Company Affiliate shall have any obligation under this Agreement to continue Indemnitee in any such position.

2. Right to Indemnification. The Company shall, to the fullest extent permitted by applicable law as then in effect, indemnify Indemnitee to the extent he is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding (a "Proceeding"), whether civil, criminal, administrative or investigative by reason of the fact that Indemnitee is or was an officer of the Company, or is or was serving at the request of the Company as a director or officer of any Company Affiliate, against all costs, charges and expenses (including attorneys' fees), including an amount paid to settle an action or satisfy a judgment, reasonably incurred by Indemnitee in connection with such Proceeding to which Indemnitee is made a party by reason of being or having been an officer of the Company or a director or officer of any Company Affiliate, if (a) Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in and not opposed to the best interests of the Company, and (b) in the case of a criminal or administrative action or proceeding, Indemnitee had no reasonable cause to believe that Indemnitee's conduct was unlawful; provided, that, except as provided in Section 3(d) of this Agreement, the foregoing shall not apply to Indemnitee with respect to any Proceeding which was commenced by Indemnitee. Such indemnification shall include the right to receive payment in advance of any expenses incurred by Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

3. Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation, of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification hereunder.

(a) Advancement of Expenses. Expenses (including attorneys' fees) incurred by Indemnitee in defending any civil, criminal, administrative or investigative action, suit

or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of Indemnitee to repay such amount if it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized pursuant to Section 145 of the DGCL. Such expenses (including attorneys' fees) incurred by Indemnitee may be so paid upon such terms and conditions, if any, as the Company deems appropriate.

(b) Procedure for Determination of Entitlement to Indemnification.

(i) To obtain indemnification under, and pursuant to, this Agreement, Indemnitee shall submit to the General Counsel of the Company a written request for indemnification, including such documentation and information as is reasonably available to Indemnitee and reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of Indemnitee's entitlement to indemnification shall be made not later than 60 days after receipt by the General Counsel of the Company of the written request for indemnification together with the Supporting Documentation. The General Counsel of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(ii) Indemnitee's entitlement to indemnification hereunder shall be determined in one of the following ways (each of which shall give effect to the presumptions set forth in Section 3(c) of this Agreement): (A) by a majority vote of the Disinterested Directors (as defined in Section 3(e) of this Agreement), even though less than a quorum; (B) by a committee of Disinterested Directors designated by majority vote of Disinterested Directors, even though less than a quorum; (C) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by Independent Counsel (as defined in Section 3(e) of this Agreement), as selected by the Disinterested Directors as provided below, in a written opinion; or (D) by the stockholders of the Company.

(iii) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 3(b)(ii)(C) above, a majority of the Disinterested Directors, if any, shall select the Independent Counsel, but only an Independent Counsel to which Indemnitee does not reasonably object. If there shall be no Disinterested Directors, such Independent Counsel shall be selected by a majority of the directors of the Board (the "Directors"), but only an Independent Counsel to which the Indemnitee does not reasonably object.

(c) Presumptions and Effect of Certain Proceedings. Except as otherwise expressly provided herein, Indemnitee shall be presumed to be entitled to indemnification hereunder upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section 3(b)(i) above, and thereafter the Company shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section 3(b) of this Agreement to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the General



Counsel of the Company of the request therefor together with the Supporting Documentation, Indemnitee shall be deemed to be entitled to indemnification and Indemnitee shall be entitled to such indemnification unless the Company establishes, as provided in the final sentence of Section 3(d)(ii) of this Agreement, or by written opinion of Independent Counsel, that (i) Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (ii) such indemnification is prohibited by law. The termination of any Proceeding described in Section 2 of this Agreement, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Remedies of Indemnitee.

(i) In the event that a determination is made pursuant to Section 3(b) of this Agreement that Indemnitee is not entitled to indemnification hereunder, Indemnitee shall be entitled, on five days' written notice to the General Counsel of the Company, to receive the written report of the persons making such determination, which report shall include the reasons and factual findings, if any, upon which such determination was based. At his sole option, Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification in the Court of Chancery.

(ii) If a determination shall have been made, or deemed to have been made, pursuant to Section 3(b) or (c) of this Agreement, that Indemnitee is entitled to indemnification, the Company shall be obligated to pay the amount constituting such indemnification within five days after such determination has been made, or deemed to have been made, and the Company shall be conclusively bound by such determination unless the Company establishes, as provided in the final sentence of this Section 3(d)(ii), that (A) Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. If (x) advancement of expenses is not timely made pursuant to Section 3(a) of this Agreement or (y) payment of indemnification is not made within five days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 3(b) or (c) of this Agreement, Indemnitee shall be entitled to seek judicial enforcement of the Company's obligation to pay to Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Company may bring an action, in the Court of Chancery, contesting the right of Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (A) or (B) of this Section 3(d) (a "Disqualifying Event"); provided however, that in any such action the Company shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 3(d) that the procedures and

presumptions of this Section 3 are not valid, binding and enforceable, and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

(iv) If Indemnitee, pursuant to this Section 3(d), seeks a judicial adjudication to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any expenses actually and reasonably incurred by Indemnitee if Indemnitee prevails in such judicial adjudication. If it shall be determined in such judicial adjudication that Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by Indemnitee in connection with such judicial adjudication shall be prorated accordingly.

(e) Definitions. For purposes of this Section 3:

“Disinterested Director” means a Director who is not or was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

“Independent Counsel” means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent (a) (i) the Company, its officers, directors or holders of more than 10% of the Company’s issued and outstanding equity securities, or (ii) Indemnitee, in each case in any matter material to any such party or (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of Delaware, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights hereunder.

4. Other Rights to Indemnification. The indemnification and advancement of costs and expenses (including attorneys’ fees and disbursements) provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may now or in the future be entitled under any provision of applicable law, the Certificate of Incorporation or Bylaws of the Company, or any other agreement or any vote of Directors or shareholders or otherwise, whether as to action in his official capacity or in another capacity while occupying any of the positions or having any of the relationships referred to in Section 1 of this Agreement.

5. Duration of Agreement.

(a) This Agreement shall be effective from and after the Effective Date, and shall continue until and terminate upon the later of (i) the tenth anniversary after Indemnitee has ceased to occupy any of the positions or have any of the relationships described in Section 1 of this Agreement or (ii) (A) the final termination or resolution of all Proceedings with respect to Indemnitee commenced during such 10-year period and (B) either (x) receipt by Indemnitee of the indemnification to which he is entitled hereunder with respect thereto or (y) a final adjudication or binding arbitration that Indemnitee is not entitled to any further indemnification with respect thereto, as the case may be.

(b) This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, devisees, executors, administrators or other legal representatives.

6. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable under any particular circumstances or for any reason whatsoever (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all other portions of any Section, paragraph or clause of this Agreement that contains any provision that has been found to be invalid, illegal or unenforceable), or the validity, legality or enforceability under any other circumstances shall not in any way be affected or impaired thereby and (b) to the fullest extent possible consistent with applicable law, the provisions of this Agreement (including, without limitation, all other portions of any Section, paragraph or clause of this Agreement that contains any such provision that has been found to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be deemed revised and shall be construed so as to give effect to the intent manifested by this Agreement (including the provision held invalid, illegal or unenforceable).

7. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement. Facsimiles and counterparts executed by electronic signature shall be effective as originals.

8. Gender Neutral. Whenever the context requires herein, the gender of all words used herein shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

9. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

10. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

11. Notification and Defense of Claim. Indemnitee agrees to notify the General Counsel of the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter which may be subject to indemnification hereunder, whether civil, criminal, administrative or investigative; provided, however, that the failure of Indemnitee to give such notice to the General Counsel of the Company shall not adversely affect Indemnitee's rights under this Agreement except to the extent the Company shall have been materially prejudiced as a direct result of such failure. Nothing in this Agreement shall constitute a waiver of the Company's right to seek

participation at its own expense in any Proceeding which may give rise to indemnification hereunder.

12. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and received for by the party to whom said notice or other communication shall have been directed or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, in either case:

- (a) if to Indemnitee, at the address indicated on the signature page hereof, and
- (b) if to the Company:

Denbury Resources Inc.  
5320 Legacy Drive  
Plano, Texas 75024  
Attention: General Counsel

or to such other address as may have been furnished to either party by the other party in accordance with this Section 12.

13. Governing Law. The parties hereto agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

[Remainder of Page Intentionally Left Blank]

DENBURY RESOURCES INC.

By: \_\_\_\_\_  
Name: James S. Matthews  
Title: Executive Vice President,  
Chief Administrative Officer,  
General Counsel and Secretary

INDEMNITEE:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

**DENBURY RESOURCES INC.**

By: \_\_\_\_\_  
Name: James S. Matthews  
Title: Executive Vice President and General Counsel

**INDEMNITEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**FIFTH AMENDMENT TO  
AMENDED AND RESTATED CREDIT AGREEMENT**

This FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this “**Fifth Amendment**”) is entered into as of November 6, 2017 (the “**Fifth Amendment Effective Date**”), by and among DENBURY RESOURCES INC., a Delaware corporation (“**Borrower**”), JPMORGAN CHASE BANK, N.A., as Administrative Agent (“**Administrative Agent**”), and the financial institutions party hereto as Lenders (hereinafter collectively referred to as the “**Executing Lenders**”, and each individually, an “**Executing Lender**”).

**WITNESSETH**

WHEREAS, Borrower, Administrative Agent, the other agents party thereto and Lenders are parties to that certain Amended and Restated Credit Agreement dated as of December 9, 2014 (as amended, supplemented or otherwise modified prior to the date hereof, the “**Credit Agreement**”; unless otherwise defined herein, all terms used herein with their initial letter capitalized shall have the meaning given such terms in the Credit Agreement, including, to the extent applicable, after giving effect to the amendments set forth in Section 1 of this Fifth Amendment);

WHEREAS, pursuant to the Credit Agreement, Lenders have extended credit in the form of Loans to Borrower and provided certain other credit accommodations to Borrower;

WHEREAS, Borrower has requested that Lenders amend certain provisions contained in the Credit Agreement as more specifically provided for herein; and

WHEREAS, subject to and upon the terms and conditions set forth herein, the Executing Lenders have agreed to enter into this Fifth Amendment to amend certain provisions of the Credit Agreement as more specifically provided for herein.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Borrower, Administrative Agent and the Executing Lenders hereby agree as follows:

**Section 1. Amendments to Credit Agreement.** In reliance on the representations, warranties, covenants and agreements contained in this Fifth Amendment, and subject to the satisfaction or waiver of the conditions precedent set forth in Section 2 hereof, the Credit Agreement shall be amended effective as of the Fifth Amendment Effective Date in the manner provided in this Section 1.

1.1 **Additional Definition.** Section 1.1(a) of the Credit Agreement shall be amended to add thereto in alphabetical order the following definition, which shall read in full as follows:

“**Fifth Amendment**” shall mean that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of November 6, 2017 among

the Borrower, the Guarantors, the Administrative Agent and the Lenders party thereto.

1.2 **Restatement of Definition.** The definition of “**Credit Documents**” contained in Section 1.1(a) of the Credit Agreement shall be amended and restated to read in full as follows:

“**Credit Documents**” shall mean this Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Guarantee, the Security Documents, any Intercreditor Agreement and any promissory notes issued by the Borrower under this Agreement and any other agreements executed by Credit Parties in connection with this Agreement and expressly identified as “Credit Documents” therein.

1.3 **Amendment to Section 10.1 of the Credit Agreement.** Section 10.1(aa)(i) of the Credit Agreement is hereby amended and restated in its entirety to read in full as follows:

“(i) the Permitted Junior Lien Debt Principal Amount may not exceed \$1,200,000,000 outstanding at any one time;”

**Section 2. Conditions Precedent to Amendment.** Subject to the satisfaction (or waiver) of the following conditions, the amendments to the Credit Agreement contained in Section 1 hereof shall each be effective on the Fifth Amendment Effective Date:

2.1 **Counterparts.** Administrative Agent shall have received counterparts hereof duly executed by an Authorized Officer of each of Borrower, the Guarantors and the Majority Lenders.

2.2 **No Default; No Borrowing Base Deficiency.** No Default or Event of Default shall have occurred which is continuing, and no Borrowing Base Deficiency shall then exist.

2.3 **Payment of Fees.** The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Fifth Amendment Effective Date.

2.4 **Other Documents.** Administrative Agent shall have been provided with such documents, instruments and agreements, and Borrower shall have taken such actions, in each case as Administrative Agent may reasonably require in connection with this Fifth Amendment and the transactions contemplated hereby.

**Section 3. Representations and Warranties.** To induce Executing Lenders and Administrative Agent to enter into this Fifth Amendment, Borrower hereby represents and warrants to Lenders and Administrative Agent as follows as of the Fifth Amendment Effective Date:

3.1 **Reaffirm Existing Representations and Warranties.** Each representation and warranty of Borrower contained in the Credit Agreement and the other Credit Documents is true and correct in all material respects (unless such representations and warranties are already qualified by materiality, Material Adverse Effect or a similar qualification in which case such representations and warranties shall be true and correct in all respects) with the same effect as



though each such representation and warranty had been made on and as of the Fifth Amendment Effective Date (except where any such representation and warranty expressly relates to an earlier date, in which case each such representation and warranty shall have been true and correct in all material respects as of such earlier date).

3.2 **Due Authorization.** The execution, delivery and performance by Borrower of this Fifth Amendment are within Borrower's corporate or organizational powers, have been duly authorized by all necessary action, and require no action by or in respect of, or filing with, any governmental body, agency or official.

3.3 **Validity and Enforceability.** This Fifth Amendment constitutes the valid and binding obligation of Borrower enforceable in accordance with its terms, except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditor's rights generally, and (b) the availability of equitable remedies may be limited by equitable principles of general application.

3.4 **No Defense.** Borrower acknowledges that Borrower has no defense to (a) Borrower's obligation to pay the Obligations when due, or (b) the validity, enforceability or binding effect against Borrower of the Credit Agreement or any of the other Credit Documents or any Liens intended to be created thereby.

#### **Section 4. Miscellaneous.**

4.1 **No Waivers.** No failure or delay on the part of Administrative Agent or Lenders to exercise any right or remedy under the Credit Agreement, any other Credit Documents or applicable law shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise of any right or remedy, all of which are cumulative and may be exercised without notice except to the extent notice is expressly required (and has not been waived) under the Credit Agreement, the other Credit Documents and applicable law.

4.2 **Reaffirmation of Credit Documents.** Any and all of the terms and provisions of the Credit Agreement and the other Credit Documents shall, except as amended and modified hereby, remain in full force and effect. The amendments contemplated hereby or thereby shall not limit or impair any Liens securing the Obligations, each of which are hereby ratified, affirmed and extended to secure the Obligations.

4.3 **Legal Expenses.** Borrower hereby agrees to pay on demand all reasonable fees and expenses of counsel to Administrative Agent incurred by Administrative Agent in connection with the preparation, negotiation and execution of this Fifth Amendment and all related documents.

4.4 **Parties in Interest.** All of the terms and provisions of this Fifth Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

4.5 **Counterparts.** This Fifth Amendment may be executed in counterparts (including, without limitation, by electronic signature), and all parties need not execute the same

counterpart; however, no party shall be bound by this Fifth Amendment until Borrower, the Guarantors and the Majority Lenders have executed a counterpart. Facsimiles and counterparts executed by electronic signature (e.g., .pdf) shall be effective as originals.

4.6 **Complete Agreement.** THIS FIFTH AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN OR AMONG THE PARTIES.

4.7 **Headings.** The headings, captions and arrangements used in this Fifth Amendment are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify or modify the terms of this Fifth Amendment, nor affect the meaning thereof.

4.8 **Governing Law. THIS FIFTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

4.9 **Severability.** Any provision of this Fifth Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.10 **Successors and Assigns.** This Fifth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amendment to be duly executed by their respective authorized officers effective as of the Fifth Amendment Effective Date.

BORROWER:

DENBURY RESOURCES INC.,  
a Delaware corporation

By: /s/ Mark C. Allen

Name: Mark C. Allen

Title: Executive Vice President, Chief  
Financial Officer, Treasurer and  
Assistant Secretary

Each of the undersigned (i) consent and agree to this Fifth Amendment, and (ii) agree that the Credit Documents to which it is a party shall remain in full force and effect and shall continue to be the legal, valid and binding obligation of such Person, enforceable against it in accordance with its terms.

GUARANTORS:

DENBURY GATHERING & MARKETING, INC.  
DENBURY HOLDINGS, INC.  
DENBURY OPERATING COMPANY  
DENBURY ONSHORE, LLC  
DENBURY PIPELINE HOLDINGS, LLC  
DENBURY AIR, LLC  
DENBURY GREEN PIPELINE-TEXAS, LLC  
DENBURY GULF COAST PIPELINES, LLC  
GREENCORE PIPELINE COMPANY LLC  
DENBURY GREEN PIPELINE-MONTANA, LLC  
DENBURY GREEN PIPELINE-RILEY RIDGE, LLC  
DENBURY THOMPSON PIPELINE, LLC  
ENCORE PARTNERS GP HOLDINGS, LLC  
PLAIN ENERGY HOLDINGS, LLC

By: /s/ Mark C. Allen

Name: Mark C. Allen

Title: Executive Vice President, Chief Financial  
Officer, Treasurer and Assistant Secretary

DENBURY BROOKHAVEN PIPELINE, LLC

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President, Chief  
Administrative Officer, General Counsel  
and Secretary

DENBURY BROOKHAVEN PIPELINE  
PARTNERSHIP, LP

By: Denbury Brookhaven Pipeline, LLC,  
its general partner

By: /s/ James S. Matthews  
Name: James S. Matthews  
Title: Executive Vice President, Chief  
Administrative Officer, General Counsel  
and Secretary

ADMINISTRATIVE AGENT/LENDER:

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent and a Lender

By: /s/ Arina Mavilian

Name: Arina Mavilian

Title: Authorized Officer

LENDERS:

BANK OF AMERICA, N.A.,  
as a Lender

By: /s/ Ronald E. McKaig

Name: Ronald E. McKaig

Title: Managing Director

CAPITAL ONE, NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Mark Brewster

Name: Mark Brewster

Title: Vice President



CANADIAN IMPERIAL BANK OF COMMERCE,  
NEW YORK BRANCH,  
as a Lender

By: /s/ Richard Antl

Name: Richard Antl

Title: Authorized Signatory

By: /s/ Trudy Nelson

Name: Trudy Nelson

Title: Authorized Signatory

COMERICA BANK,  
as a Lender

By: /s/ Jeffrey M. Parilla

Name: Jeffrey M. Parilla

Title: Vice President

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK,  
as a Lender

By: /s/ Ting Lee

Name: Ting Lee

Title: Director

By: /s/ Dixon Schultz

Name: Dixon Schultz

Title: Managing Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,  
as a Lender

By: /s/ Nupur Kumar

Name: Nupur Kumar

Title: Authorized Signatory

By: /s/ Andrew Griffin

Name: Andrew Griffin

Title: Authorized Signatory

CITIBANK, N.A.,  
as a Lender

By: /s/ Brian S. Broyles

Name: Brian S. Broyles

Title: Attorney-In-Fact

ROYAL BANK OF CANADA,  
as a Lender

By: /s/ Kristan Spivey

Name: Kristan Spivey

Title: Authorized Signatory

THE BANK OF NOVA SCOTIA,  
as a Lender

By: /s/ Mark Sparrow

Name: Mark Sparrow

Title: Director

UBS AG, STAMFORD BRANCH,  
as a Lender

By: /s/ Housseem Daly

Name: Housseem Daly

Title: Associate Director

By: /s/ Darlene Arias

Name: Darlene Arias

Title: Director



SUMITOMO MITSUI BANKING CORPORATION,  
as a Lender

By: /s/ Mr. Toshitake Funaki

Name: Mr. Toshitake Funaki

Title: General Manager

FIFTH THIRD BANK,  
as a Lender

By: /s/ Helen Wiggins

Name: Helen Wiggins

Title: Vice President

ABN AMRO CAPITAL USA LLC,  
as a Lender

By: /s/ David Montgomery

Name: David Montgomery

Title: Managing Director

By: /s/ Darrell Holley

Name: Darrell Holley

Title: Managing Director

GOLDMAN SACHS BANK USA,  
as a Lender

By: /s/ Chris Lam

Name: Chris Lam

Title: Authorized Signatory

**CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chris Kendall, certify that:

1. I have reviewed this report on Form 10-Q of Denbury Resources Inc. (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2017

/s/ Chris Kendall

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Chris Kendall

President and Chief Executive Officer

**CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark C. Allen, certify that:

1. I have reviewed this report on Form 10-Q of Denbury Resources Inc. (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2017

/s/ Mark Allen

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Mark C. Allen

Executive Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary

**Certification of Chief Executive Officer and Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the accompanying Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (the Report) of Denbury Resources Inc. (Denbury) as filed with the Securities and Exchange Commission, each of the undersigned, in his capacity as an officer of Denbury, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Denbury.

Dated: November 7, 2017

/s/ Chris Kendall

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Chris Kendall

President and Chief Executive Officer

Dated: November 7, 2017

/s/ Mark C. Allen

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Mark C. Allen

Executive Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary