BELL CREEK TEST SITE GEOLOGICAL MODEL DEVELOPMENT INITIATED

Plains CO_2 Reduction (PCOR) Partnership Phase III
Task 4 – Milestone M9

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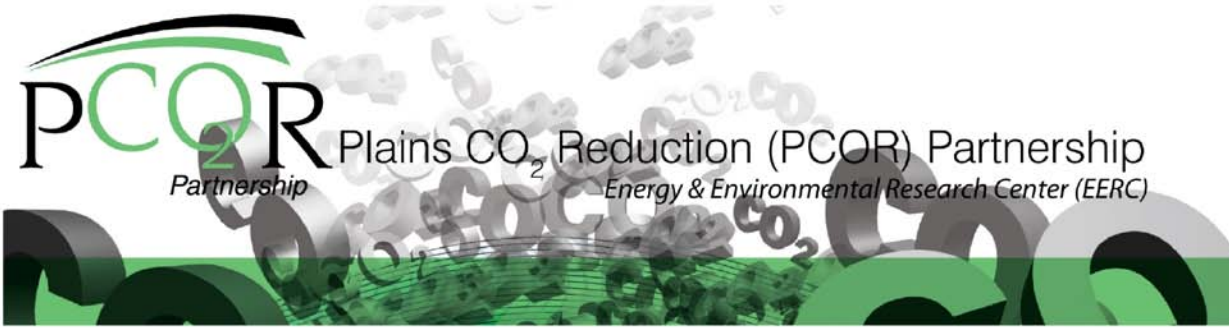

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BACKGROUND

The Plains CO_2 Reduction (PCOR) Partnership is initiating discussions with Denbury Resources Inc. (Denbury) to determine the efficacy of developing a robust and practical monitoring, verification, and accounting (MVA), risk management, and simulation project associated with a commercial-scale injection of carbon dioxide (CO_2) for the purpose of simultaneous enhanced oil recovery (EOR) and storage of CO_2. A technical team that includes Denbury, the Energy & Environmental Research Center (EERC), and others will conduct a variety of activities to determine the baseline geological characteristics of the injection site and surrounding areas. Denbury will carry out the injection process while the EERC will conduct CO_2 MVA activities at the site. The project, which will be conducted in the Bell Creek oil field, Powder River County, southeastern Montana, will provide insight regarding the impact of miscible CO_2 flood tertiary recovery on oil production and successful CO_2 storage within a sandstone reservoir in the Cretaceous Muddy Formation. The Bell Creek project will be a unique opportunity to develop a set of cost-effective MVA protocols for large-scale CO_2 storage associated with an EOR operation.

The Bell Creek oil field is an ideal candidate for a CO_2 tertiary recovery project for a number of reasons. The primary reason is its depth of 4500 feet, which results in temperature and pressure conditions that will maintain the injected CO_2 in a supercritical state and allow for miscibility of the CO_2 in the oil. The secondary reason is that Bell Creek's permeability is 900 millidarcies and its porosity averages 24%, allowing for high CO_2 injection rates and a fairly rapid production response. Figure 1 is a representation of a typical CO_2-based injection scheme for tertiary EOR operations.

The Lost Cabin Gas Plant, located in Fremont County, Wyoming, is owned and operated by ConocoPhillips and currently generates approximately 50 million cubic feet per day of CO_2. Denbury and ConocoPhillips have entered into a 15-year CO_2 purchase and sale agreement. Denbury plans to build compression facilities adjacent to the Lost Cabin Gas Plant to take the feed from 50 to 2200 psi, allowing for delivery to the project site at injection-ready pressure. Along with construction of a 226-mile pipeline to transport the compressed CO_2 to its Bell Creek Field in southeastern Montana, Denbury will upgrade its current waterflood secondary recovery project into a miscible CO_2 flood tertiary recovery project. It is estimated that the site will be ready for CO_2 injection in September 2011.

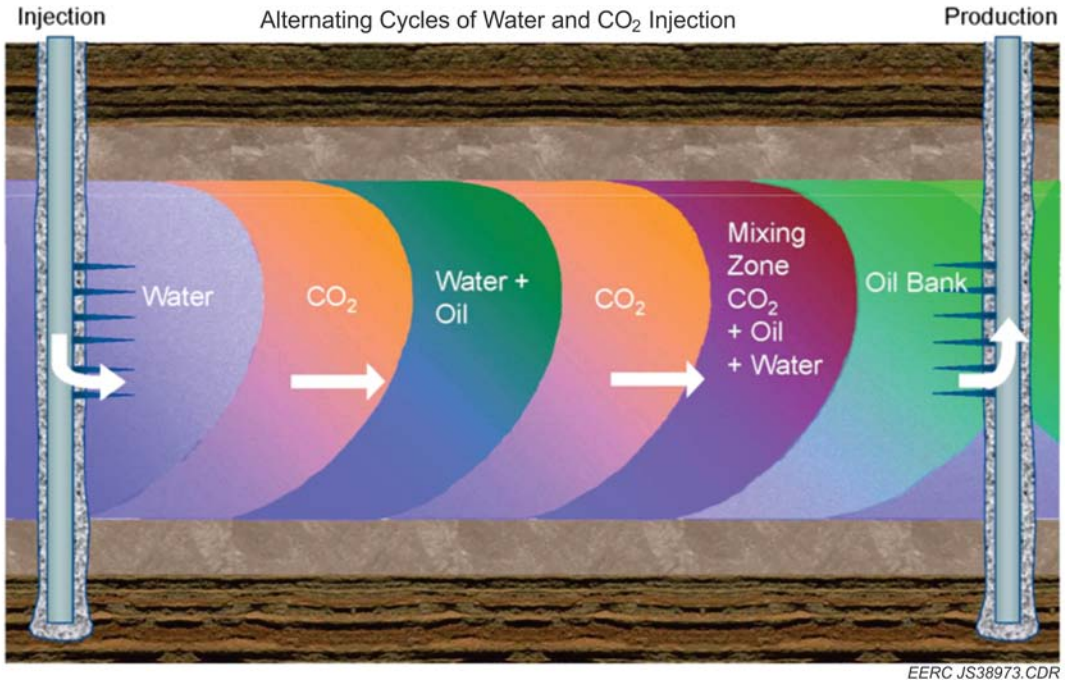

Figure 1. Alternating cycles of water and CO_2 injection for EOR.

Geological Model Development Initiated

A variety of activities focused on developing a geological model of the Bell Creek oil field were initiated in the third quarter of Phase III – Year 3. These activities include the following:

- Publicly available well log data were obtained from the Montana Board of Oil and Gas Conservation.

- Well log data were used to identify the tops of key formations within the Bell Creek oil field and its surrounding area. Specifically, the tops for the Cretaceous Muddy Formation which serves as the reservoir rock for the Bell Creek oil field were identified. Potential seal formations were also identified.

- The well log data were used to create thickness isopach maps and identify major structural elements of the Bell Creek oil field.

- Further development of the geological model is ongoing and will continue as new, further detailed data become available.