

**DENBURY RESOURCES INC.**  
**P R E S S   R E L E A S E**

**Denbury Resources Announces Second Quarter Results  
And Significant Increase in Proven CO<sub>2</sub> Reserves**

News Release  
Released at 7:30 AM CDT

DALLAS, July 29, 2004 - Denbury Resources Inc. (NYSE symbol: DNR) (“Denbury” or the “Company”) today announced its second quarter 2004 financial and operating results. The Company posted strong earnings for the quarter of \$19.4 million, or \$0.35 per common share, as compared to earnings of \$5.1 million or \$0.10 per common share for the second quarter of 2003. Net cash flow provided by operations, a GAAP measure, totaled \$53.2 million during the second quarter of 2004, as compared to \$60.5 million during the second quarter of 2003. Adjusted cash flow from operations for the second quarter of 2004 (before changes in assets and liabilities) was a near-record high, totaling \$63.1 million, a 29% increase over the \$49.0 million generated in the second quarter of 2003. (See the accompanying schedules for a reconciliation of net cash flow provided by operations, as defined by generally accepted accounting principles (“GAAP”), which is a GAAP measure, as opposed to adjusted cash flow, which is a non-GAAP measure).

Production

Production for the quarter was 36,602 BOE/d, virtually the same as production during the prior quarter and 4% higher than the second quarter of 2003 average of 35,050 BOE/d. Oil production from the Company’s tertiary operations increased 5% over levels in the prior quarter and 46% when compared to second quarter of 2003 tertiary production, averaging 6,603 Bbls/d in the second quarter of 2004, primarily as a result of production increases at Mallalieu Field. Production from the offshore Gulf of Mexico increased 7% over levels in the prior quarter, averaging 9,114 BOE/d, as a result of several recent well completions. Denbury Offshore, Inc., the subsidiary that held the Company’s offshore assets, was sold on July 20, 2004. Partially offsetting these increases were declines in other areas resulting from property sales and general depletion, the single largest factor being expected depletion at Thornwell Field, onshore Louisiana, which declined over 1,000 BOE/d from first quarter 2004 production levels.

Second Quarter 2004 Financial Results

In the second quarter of 2004, revenues increased \$18.6 million over second quarter 2003 amounts, primarily as a result of higher commodity prices, partially offset by higher hedge payments. During the second quarter of 2004, the most significant payments on hedges were oil related, primarily for oil swaps put in place at the time of the COHO property acquisition in 2002. Realized commodity prices on a BOE basis were at record levels, averaging \$35.75 per BOE in the second quarter, as compared to an average of \$29.71 per BOE in the second quarter of 2003. NYMEX oil prices were 32% higher in the second quarter of 2004 than in the prior year second quarter, and NYMEX natural gas prices were 8% higher.

Operating expenses increased to \$7.36 per BOE in the second quarter of 2004 primarily as a result of repairs and maintenance on offshore platforms and higher utility costs, up from \$7.23 per BOE in the second quarter of 2003. The increased activity on tertiary operations and general cost inflation in the industry also contributed to the overall increase in operating expense per BOE. Production taxes increased in the second quarter of 2004 along with the increase in commodity prices.

General and administrative expenses increased, averaging \$1.25 per BOE in the second quarter of 2004, up from \$1.06 per BOE in the prior year's second quarter. The majority of the increase relates to severance costs for a portion of the Company's offshore professional and technical staff that were terminated prior to June 30, 2004. During 2004, the Company has also incurred additional general and administrative expense associated with the corporate restructure in December 2003, the sale of stock by the Texas Pacific Group in March 2004, and additional costs to comply with the requirements of the Sarbanes-Oxley Act. The Company expects to incur an additional \$1.6 million of severance and other incremental expenses in the third quarter as a result of the offshore sale.

Interest expense decreased on a gross and per BOE basis as a result of lower overall interest rates, primarily related to the subordinated debt refinancing in 2003, and lower average debt levels as a result of the \$50 million reduction in debt during 2003.

Depreciation, depletion and amortization expense ("DD&A") increased in the second quarter of 2004 to \$8.46 per BOE, primarily as a result of the higher percentage of expenditures on offshore properties during 2003 and 2004, which typically have a higher finding and development cost per BOE, and general upward cost revisions for future development costs in the Company's mid-year reserve estimates. The second quarter 2004 DD&A rate is more comparable to the fourth quarter of 2003 DD&A rate of \$8.00 per BOE than to the second quarter of 2003 DD&A rate of \$7.25 per BOE.

The Company incurred \$7.1 million of charges in the second quarter of 2004 relating to its oil and natural gas hedges, primarily caused by the early retirement in June 2004 of 20 MMcf/d of its 2004 natural gas hedges related to the Company's offshore production that was sold in July 2004.

The Company recognized current income tax expense of \$977,000 in the second quarter of 2004 related to state income taxes and alternative minimum taxes due that cannot be offset by the Company's regular tax net loss carryforwards or enhanced oil recovery credits. The Company expects to pay approximately \$22 million of income taxes in the third quarter related to the offshore sale.

#### Additional CO<sub>2</sub> Reserves

The Company is in the process of completing one additional CO<sub>2</sub> well and one is nearing total depth, both of which are expected to add incremental production capacity and additional reserves. The Company's preliminary estimates are that the first well will add approximately 700 Bcf of additional CO<sub>2</sub> reserves, representing a significant increase from the Company's total proved CO<sub>2</sub> reserves of 1.6 Tcf at December 31, 2003. The Company expects the second well to add approximately 300 Bcf of additional CO<sub>2</sub> reserves. The Company projects that it will have the capability to produce a total of approximately 350 MMcf/d of CO<sub>2</sub> after completion of these two wells.

## 2004 Outlook

Denbury's 2004 development and exploration budget remains at its current level of \$205 million. Any acquisitions made by the Company will increase these capital budget amounts. Denbury's current total debt (following completion of the offshore sale) is \$225 million, with \$175 million undrawn on its adjusted bank borrowing base and approximately \$75 million of cash generated from the offshore sale. The Company plans to invest this cash over the next one to two years by increasing its development activity to a level higher than its anticipated cash flow, focusing primarily on its tertiary operations.

The Company expects its production during the third quarter of 2004 to be approximately 27,500 BOE/d, excluding any production relating to the offshore operations for the interim period of July 1 through closing of the offshore sale on July 20, 2004. Fourth quarter production is expected to increase to between 28,000 and 28,500 BOE/d.

Gareth Roberts, Chief Executive Officer, said: "With the completion of the sale of the offshore properties, we plan to concentrate and focus on our tertiary operations. Production from our tertiary recovery operations is on forecast, averaging 6,603 Bbls/d, a 5% increase over the first quarter tertiary production rates. We expect tertiary oil production to continue to grow for several more years from this first phase of operations. With the incremental reserves anticipated from the two recent CO<sub>2</sub> source wells, we have sufficient CO<sub>2</sub> reserves to implement the next phase of our tertiary recovery program, the flooding of six oil fields in East Mississippi. We are working diligently on our plans for a CO<sub>2</sub> pipeline to that part of the state, and hope to commence construction operations in the fourth quarter, with completion anticipated twelve to eighteen months thereafter. Financially, the sale of our offshore assets has made us stronger than we have ever been, allowing us to develop our inventory of CO<sub>2</sub> projects without the need to hedge as aggressively as in past years. Our future has never looked better."

## Conference Call

The public is invited to listen to the Company's conference call set for today, July 29, 2004, at 10:00 A.M. CDT. The call will be broadcast live over the Internet at our web site: [www.denbury.com](http://www.denbury.com). If you are unable to participate during the live broadcast, the call will be archived on our web site for approximately 30 days and will also be available for playback for one week by dialing 888-203-1112 or 719-457-0820.

## Financial and Statistical Data Tables

Following are financial highlights for the comparative three and six month periods ended June 30, 2004 and 2003. All production volumes and dollars are expressed on a net revenue interest basis with gas volumes converted at 6:1.

**SECOND QUARTER FINANCIAL HIGHLIGHTS**  
**(Amounts in thousands, except per share and unit data)**

	Three Months Ended			Percentage Change
	June 30,			
	2004	2003		
<b>Revenues:</b>				
Oil sales	58,529	43,922	+	33 %
Gas sales	60,542	50,830	+	19 %
CO <sub>2</sub> sales and transportation fees	1,580	2,445	-	35 %
Loss on settlements of derivative contracts	(18,239)	(13,356)	+	37 %
Interest and other income	432	382	+	13 %
Total revenues	<u>102,844</u>	<u>84,223</u>	+	22 %
<b>Expenses:</b>				
Lease operating expenses	24,530	23,048	+	6 %
Production taxes and marketing expense	4,514	3,467	+	30 %
CO <sub>2</sub> operating costs	209	534	-	61 %
General and administrative	4,178	3,376	+	24 %
Interest	5,068	6,227	-	19 %
Loss on early retirement of debt	-	17,629		NA
Depletion, depreciation and accretion	28,161	23,130	+	22 %
Amortization of derivative contracts and other non-cash hedging adjustments	7,146	(751)	+	>100 %
Total expenses	<u>73,806</u>	<u>76,660</u>	-	4 %
Income before income taxes	29,038	7,563	+	>100 %
Income tax provision (benefit)				
Current income taxes	977	(1,093)	+	>100 %
Deferred income taxes	8,672	3,527	+	>100 %
<b>NET INCOME</b>	<u>19,389</u>	<u>5,129</u>	+	>100 %
<b>Net income per common share:</b>				
Basic	0.35	0.10	+	>100 %
Diluted	0.34	0.09	+	>100 %
<b>Weighted average common shares:</b>				
Basic	54,744	53,815	+	2 %
Diluted	57,102	55,337	+	3 %
<b>Production (daily - net of royalties)</b>				
Oil (barrels)	18,730	18,957	-	1 %
Gas (mcf)	107,230	96,558	+	11 %
BOE (6:1)	36,602	35,050	+	4 %
<b>Unit sales price (including hedges)</b>				
Oil (per barrel)	26.56	23.93	+	11 %
Gas (per mcf)	5.69	4.56	+	25 %
<b>Unit sales price (excluding hedges)</b>				
Oil (per barrel)	34.34	25.46	+	35 %
Gas (per mcf)	6.20	5.78	+	7 %

	Three Months Ended			Percentage Change
	June 30,			
	2004	2003		
<b>Non-GAAP Financial Measure (1)</b>				
Adjusted or discretionary cash flow from operations (non-GAAP measure)	63,054	48,989	+	29 %
Net change in assets and liabilities relating to operations	(9,844)	11,553	-	>100 %
<b>Cash flow from operations (GAAP measure)</b>	<u>53,210</u>	<u>60,542</u>	-	12 %
<b>Oil &amp; gas capital investments</b>	44,049	43,972		NA
<b>CO<sub>2</sub> capital investments</b>	6,938	6,469	+	7 %
<b>Proceeds from sales of oil and gas properties</b>	634	1,788	-	65 %
<b>BOE data (6:1)</b>				
Revenue	35.75	29.71	+	20 %
Loss on settlements of derivative contracts	(5.48)	(4.19)	+	31 %
Lease operating costs	(7.36)	(7.23)	+	2 %
Production taxes and marketing expense	(1.36)	(1.08)	+	26 %
Production netback	<u>21.55</u>	<u>17.21</u>	+	25 %
CO <sub>2</sub> operating cash flow	0.41	0.60	-	32 %
General and administrative	(1.25)	(1.06)	+	18 %
Net cash interest expense	(1.35)	(1.75)	-	23 %
Current income taxes and other	(0.42)	0.36	-	>100 %
Changes in asset and liabilities	(2.96)	3.62	-	>100 %
Cash flow from operations	<u>15.98</u>	<u>18.98</u>	-	16 %

(1) See "Non-GAAP Measures" at the end of this report.

**SIX MONTH FINANCIAL HIGHLIGHTS**  
**(Amounts in thousands, except per share and unit data)**

	Six Months Ended			
	June 30,			
	2004	2003	Percentage Change	
<b>Revenues:</b>				
Oil sales	113,054	96,135	+	18 %
Gas sales	116,253	110,341	+	5 %
CO <sub>2</sub> sales and transportation fees	2,941	4,634	-	37 %
Loss on settlements of derivative contracts	(32,507)	(41,041)	-	21 %
Interest and other income	758	602	+	26 %
Total revenues	<u>200,499</u>	<u>170,671</u>	+	17 %
<b>Expenses:</b>				
Lease operating expenses	47,058	45,450	+	4 %
Production taxes and marketing expense	8,581	7,363	+	17 %
CO <sub>2</sub> operating costs	353	851	-	59 %
General and administrative	8,926	7,167	+	25 %
Interest	10,149	12,688	-	20 %
Loss on early retirement of debt	-	17,629		NA
Depletion, depreciation and accretion	55,485	46,683	+	19 %
Amortization of derivative contracts and other non-cash hedging adjustments	7,964	(2,261)	+	>100 %
Total expenses	<u>138,516</u>	<u>135,570</u>	+	2 %
Income before income taxes	61,983	35,101	+	77 %
Income tax provision				
Current income taxes	3,096	1,637	+	89 %
Deferred income taxes	17,194	9,882	+	74 %
Income before cumulative effect of change in accounting principle	41,693	23,582	+	77 %
Cumulative effect of change in accounting principle, net of income taxes of \$1,600	-	2,612		NA
<b>NET INCOME</b>	<u>41,693</u>	<u>26,194</u>	+	59 %
<b>Net income per common share - basic:</b>				
Income before cumulative effect of change in accounting principle	0.76	0.44	+	73 %
Cumulative effect of change in accounting principle	-	0.05		NA
Net income per common share - basic	<u>0.76</u>	<u>0.49</u>	+	55 %
<b>Net income per common share - diluted:</b>				
Income before cumulative effect of change in accounting principle	0.73	0.42	+	74 %
Cumulative effect of change in accounting principle	-	0.05		NA
Net income per common share - diluted	<u>0.73</u>	<u>0.47</u>	+	55 %

	Six Months Ended			Percentage Change
	June 30,			
	2004	2003		
<b>Weighted average common shares:</b>				
Basic	54,566	53,728	+	2 %
Diluted	56,739	55,186	+	3 %
<b>Production (daily - net of royalties)</b>				
Oil (barrels)	19,067	19,259	-	1 %
Gas (mcf)	105,344	97,857	+	8 %
BOE (6:1)	36,624	35,569	+	3 %
<b>Unit sales price (including hedges)</b>				
Oil (per barrel)	25.72	24.32	+	6 %
Gas (per mcf)	5.61	4.55	+	23 %
<b>Unit sales price (excluding hedges)</b>				
Oil (per barrel)	32.58	27.58	+	18 %
Gas (per mcf)	6.06	6.23	-	3 %
<b>Non-GAAP Financial Measure: (1)</b>				
Adjusted or discretionary cash flow from operations (non-GAAP measure)	121,974	96,355	+	27 %
Net change in assets and liabilities relating to operations	(15,769)	(304)	-	>100 %
<b>Cash flow from operations (GAAP measure)</b>	<u>106,205</u>	<u>96,051</u>	+	11 %
<b>Oil &amp; gas capital investments</b>	91,962	80,333	+	14 %
<b>CO<sub>2</sub> capital investments</b>	27,141	13,373	+	>100 %
<b>Proceeds from sales of oil and gas properties</b>	1,146	28,154	-	96 %
<b>Cash and cash equivalents</b>	27,940	19,348	+	44 %
<b>Total assets</b>	1,081,184	944,685	+	14 %
<b>Total long-term debt (excluding discount)</b>	310,000	335,000	-	7 %
<b>Total stockholders' equity</b>	478,107	381,213	+	25 %
<b>BOE data (6:1)</b>				
Revenue	34.40	32.07	+	7 %
Loss on settlements of derivative contracts	(4.88)	(6.37)	-	23 %
Lease operating costs	(7.06)	(7.06)		NA
Production taxes and marketing expense	(1.29)	(1.15)	+	12 %
Production netback	21.17	17.49	+	21 %
CO <sub>2</sub> operating cash flow	0.39	0.59	-	34 %
General and administrative	(1.34)	(1.11)	+	21 %
Net cash interest expense	(1.34)	(1.76)	-	24 %
Current income taxes and other	(0.58)	(0.24)	+	>100 %
Changes in asset and liabilities	(2.37)	(0.05)	+	>100 %
Cash flow from operations	<u>15.93</u>	<u>14.92</u>	+	7 %

(1) See "Non-GAAP Measures" at the end of this report.

## Non-GAAP Measures

Adjusted cash flow from operations is a non-GAAP measure that represents cash flow provided by operations before changes in assets and liabilities, as summarized from the Company's Consolidated Statements of Cash Flows. Adjusted cash flow from operations measures the cash flow earned or incurred from operating activities without regard to the collection or payment of associated receivables or payables. The Company believes that this is important to consider separately, as it believes it can often be a better way to discuss changes in operating trends in its business caused by changes in production, prices, operating costs, and so forth, without regard to whether the earned or incurred item was collected or paid during that period. For a further discussion, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Operating Results" in our latest Form 10-Q or Form 10-K.

Denbury Resources Inc. ([www.denbury.com](http://www.denbury.com)) is a growing independent oil and gas company. The Company is the largest oil and natural gas operator in Mississippi, owns the largest reserves of carbon dioxide used for tertiary oil recovery east of the Mississippi River, and holds significant operating acreage in onshore Louisiana. The Company increases the value of acquired properties in its core areas through a combination of exploitation drilling and proven engineering extraction practices, including secondary and tertiary recovery operations.

This press release, other than historical financial information, contains forward looking statements that involve risks such as those involved in drilling activity and those due to price volatility, and uncertainties as to drilling results, proved reserves, production levels, commodity prices, and financial results as detailed in the Company's filings with the Securities and Exchange Commission, including its reports on Form 10-K and 10-Q. These reports are incorporated by reference as though fully set forth herein. These statements are based on assumptions concerning commodity prices, existing market conditions, scheduling, drilling and completion results and costs and engineering assumptions that management believes are reasonable based on currently available information; however, management's assumptions and the Company's future performance are both subject to a wide range of business risks, and there is no assurance that these goals and projections can or will be met. Actual results may vary materially.

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