DENBURY RESOURCES INC

FORM 8-K
(Current report filing)

Filed 11/02/09 for the Period Ending 11/02/09

Address	5320 LEGACY DRIVE PLANO, TX 75024
Telephone	9726732000
CIK	0000945764
Symbol	DNR
SIC Code	1311 - Crude Petroleum and Natural Gas
Industry	Oil & Gas Operations
Sector	Energy
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):November 2, 2009

DENBURY RESOURCES INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

1-12935	**20-0467835**
(Commission File Number)	*(I.R.S. Employer Identification No.)*
5100 Tennyson Parkway **Suite 1200** **Plano, Texas**	**75024**
(Address of principal executive offices)	*(Zip code)*

Registrant’s telephone number, including area code: **(972) 673-2000**

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☑ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e 4(c))

Item 7.01 Regulation FD Disclosure

On November 2, 2009, Denbury Resources Inc. ("Denbury") held a previously announced conference call to discuss a joint press release issued on November 1, 2009 relating to the execution on October 31, 2009 of a definitive merger agreement by and between Denbury and Encore Acquisition Company with Denbury surviving the merger. During the conference call a slide presentation, entitled "Merger with Encore Acquisition Company," was given. The slide presentation has been posted to Denbury's website and Denbury intends, at times following the conference call, to present or distribute the slides to various investors. The slide presentation is accessible on Denbury's website at www.denbury.com, and is attached as Exhibit 99.1 hereto. Denbury undertakes no obligation to update, supplement or amend the materials attached as Exhibit 99.1.

In accordance with General Instruction B.2 of Form 8-K, the information in this Section 7.01 of this Current Report on Form 8-K shall not be deemed "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing.

Item 8.01 Other Events

To the extent required, the information included in Item 7.01 of this Form 8-K is hereby incorporated by reference into this Item 8.01.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit 99.1 — Slide presentation dated November 2, 2009, entitled "Merger with Encore Acquisition Company."

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 hereunto duly authorized.

DENBURY RESOURCES INC.

Date: November 2, 2009

/s/Mark C. Allen
Mark C. Allen
Sr. Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit 99.1 —	Slide presentation dated November 2, 2009, entitled “Merger with Encore Acquisition Company.”

Exhibit 99.1

Filed by Denbury Resources Inc.
Pursuant to Rule 425 under the Securities Act of 1933
And Deemed Filed Pursuant to Rule 14a-12
under the Securities Exchange Act of 1934

Subject Company: Encore Acquisition Company
Commission File No.: 001-16295


Denbury Resources Inc.
November 2, 2009
Merger with Encore
Acquisition Company

Corporate Information

Corporate Headquarters

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Plano, Texas 75024
Ph: (972) 673-2000 Fax: (972) 673-2150
Web Site: www.denbury.com

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About Forward-Looking Statements

The data contained in this presentation that are not historical facts are forward-looking statements that involve a number of risks and uncertainties. Such statements may relate to, among other things, capital expenditures, drilling activity, development activities, production efforts and volumes, net asset values, proved reserves, potential reserves and anticipated production growth rates in our CO_2 models, 2009 and 2010 production and expenditure estimates, availability and cost of equipment and services, and other enumerated reserve potential. These forward-looking statements are generally accompanied by words such as "estimated", "projected", "potential", "anticipated", "forecasted" or other words that convey the uncertainty of future events or outcomes. These statements are based on management's current plans and assumptions and are subject to a number of risks and uncertainties as further outlined in our most recent 10-K and 10-Q. Therefore, the actual results may differ materially from the expectations, estimates or assumptions expressed in or implied by any forward-looking statement made by or on behalf of the Company.

Cautionary Note to U.S. Investors – The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms and make certain disclosures in this presentation, such as potential and probable reserves, that the SEC's guidelines strictly prohibit us from including in filings with the SEC.

Additional Information

In connection with the transaction, Denbury and Encore will file a joint proxy statement/prospectus and other documents with the Securities and Exchange Commission ("SEC"). Investors and security holders are urged to carefully read the definitive joint proxy statement/prospectus when it becomes available because it will contain important information regarding Denbury, Encore and the transaction.

A definitive joint proxy statement/prospectus will be sent to stockholders of Denbury and Encore seeking their approval of the transaction. Investors and security holders may obtain a free copy of the definitive joint proxy statement/prospectus (when available) and other documents filed by Denbury and Encore with the SEC at the SEC's website, www.sec.gov. The definitive joint proxy statement/prospectus (when available) and such other documents relating to Denbury may also be obtained free-of-charge by directing a request to Denbury, Attn: Investor Relations, 5100 Tennyson Parkway, Suite 1200, Plano, Texas 75024, or from Denbury's website, www.denbury.com. The definitive joint proxy statement/prospectus (when available) and such other documents relating to Encore may also be obtained free-of-charge by directing a request to Encore, Attn: Bob Reeves, 777 Main Street, Suite 1400, Fort Worth, Texas 76102, or from Encore's website, www.encoreacq.com.

Denbury, Encore and their respective directors and executive officers may, under the rules of the SEC, be deemed to be "participants" in the solicitation of proxies in connection with the proposed transaction. Information concerning the interests of the persons who may be "participants" in the solicitation will be set forth in the joint proxy statement/prospectus when it becomes available.

Transaction Summary

- **Transaction Value – $4.5 Billion**
  - $2.8 billion equity
  - $1.3 billion consolidated debt including ENP partnership ($1.0 billion parent only)
  - $0.4 billion minority interest of ENP partnership
- **130 Million New Denbury Shares Issued at Assumed Share Price of $15.10**
  - 12% collar sets a range of 115 million – 146 million shares issued
- **Pro Forma Ownership**
  - 67% Denbury at current Denbury share price (65% – 70% range with collar)
  - 33% Encore at current Denbury share price (30% – 35% range with collar)
- **Expected Closing in Q1 2010**

Transaction Rationale

- **Significantly Expands Denbury's Enhanced Oil Recovery ("EOR") Potential**
  - **Encore owns mature legacy oil assets (6.0 billion barrels of OOIP)**
  - **More than doubles Denbury EOR upside potential**
  - **Extends anticipated peak EOR production several years**
  - **Anticipated timing of Rocky Mountain EOR compliments other DNR assets**

- **Establishes New Core EOR Area in the Rockies**
  - **DOE estimates 1.3 to 3.2 billion barrels recoverable in three state region through EOR**

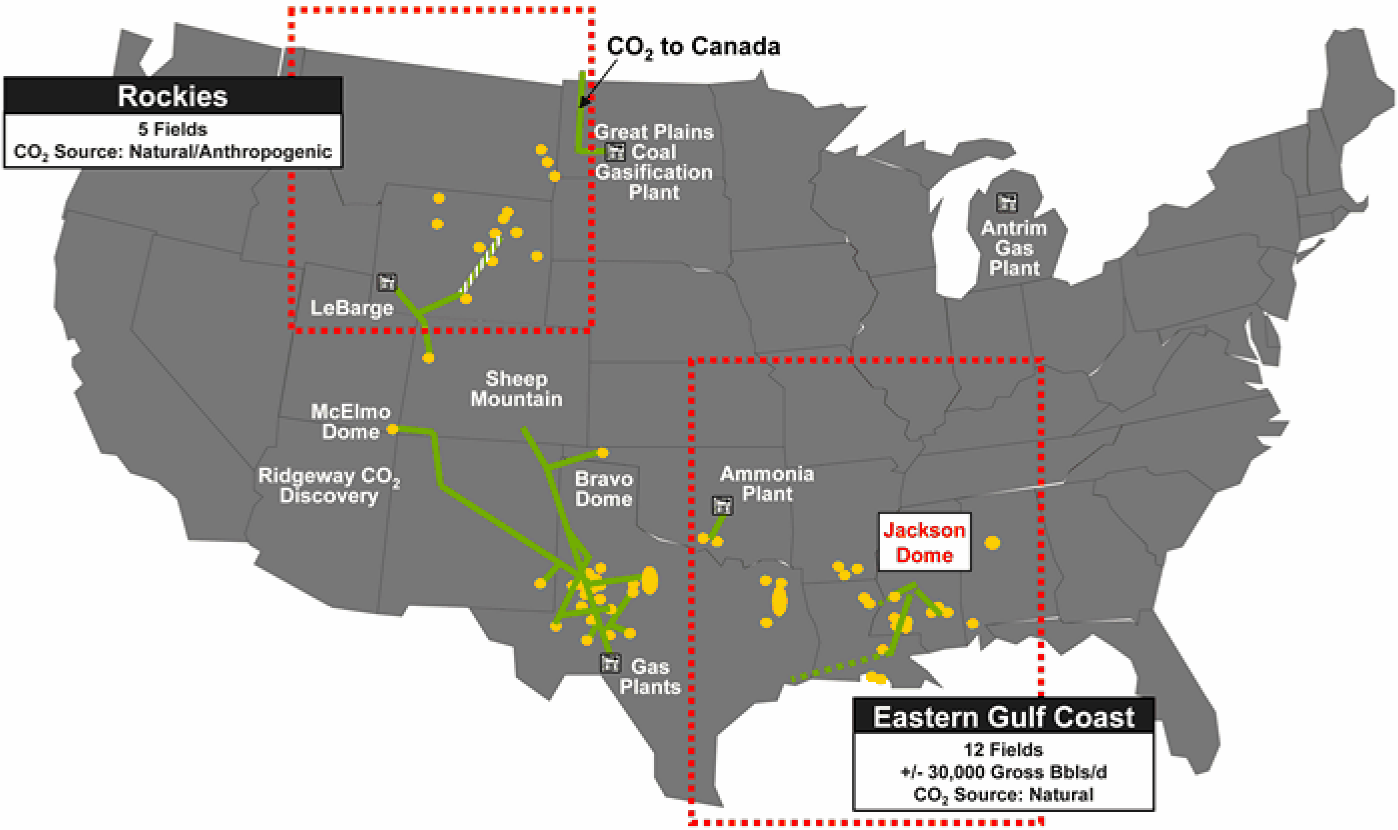
- **Significant Additional Upside Potential Value in Two Prolific U.S. Shale Plays**
  - **Encore has one of the largest leasehold positions in the Bakken oil shale (300,000 net acres)**
  - **Over 19,000 net acres in the Haynesville shale**

Transaction Rationale

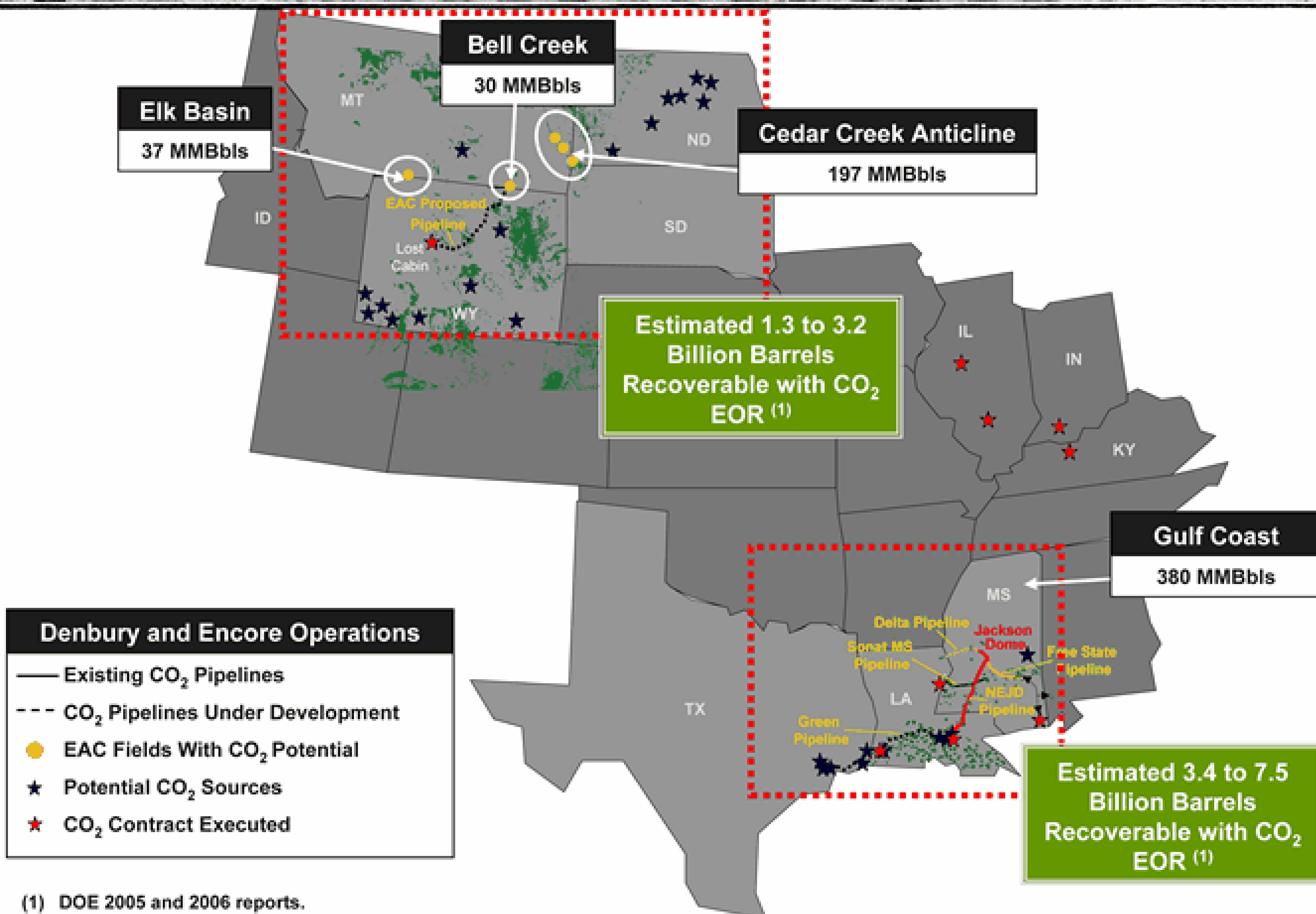
- **Transaction is Meaningfully Accretive to Denbury's Cash Flow Per Share**
- **Solid Pro Forma Balance Sheet and Financial Flexibility**
  - **Anticipated sale of at least $500 million of asset sales planned to further enhance liquidity**
  - **Pro forma liquidity of $700 - $750 million**
- **Combines Two Oil-Focused Companies**
- **Materially Enhances Diversification, Size and Scale of the Combined Company**
  - **Increased size and scale should lower cost of capital over time**
  - **Improves all-in pro forma operating cost structure**
- **DFW Presence Allows for Easier Transition**
- **ENP Provides Alternative Financing Vehicle in Future**

Expanding A World-Class CO_2 Tertiary Company

Current CO_2 Sources & Pipelines

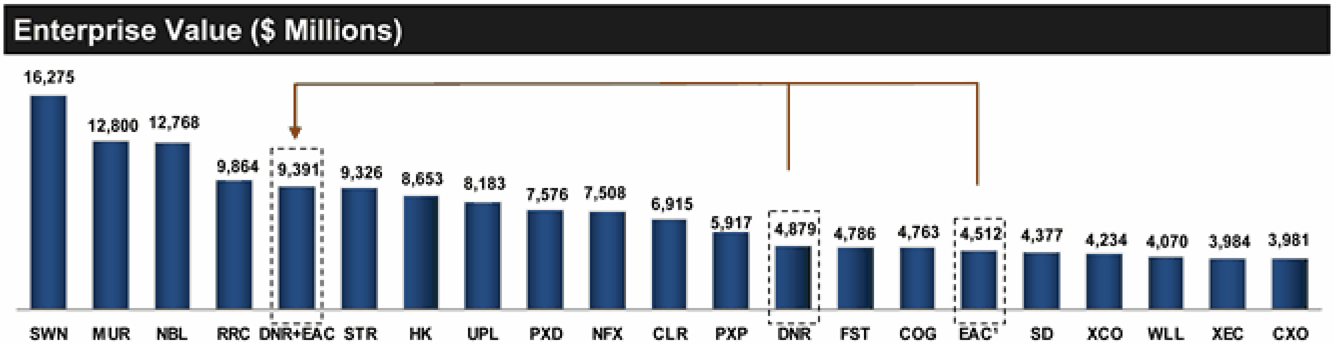


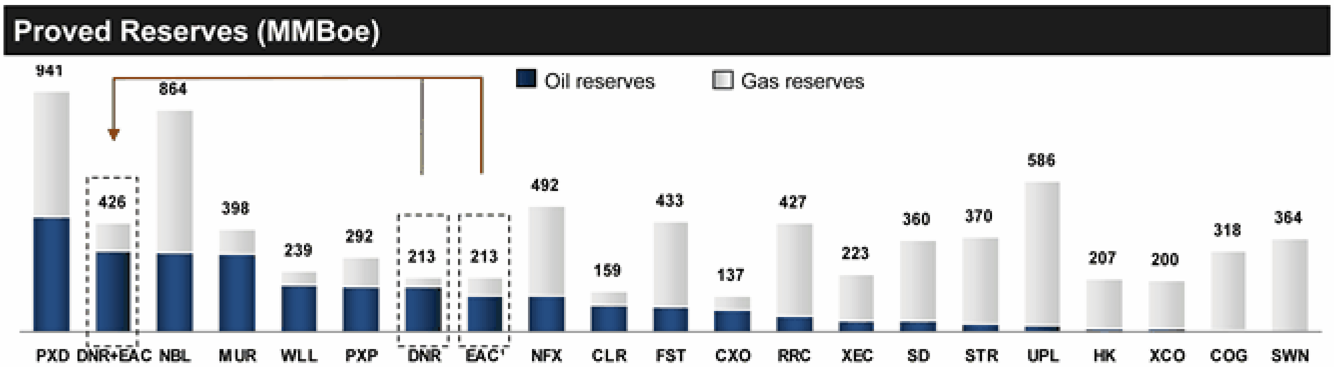
Transferring Gulf Coast CO_2 Success To Rockies



(1) DOE 2005 and 2006 reports.

Increase in Size & Scale



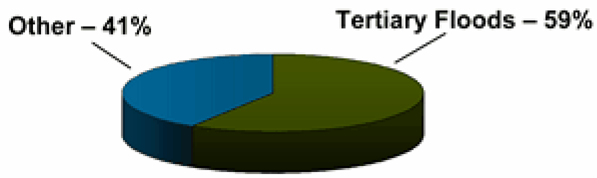


Note: All public market data as of 10/30/09. Balance sheet information as of most recent SEC filings pro forma for acquisitions, divestitures and recent capital markets activity. Proved reserves pro forma for announced acquisitions and divestitures

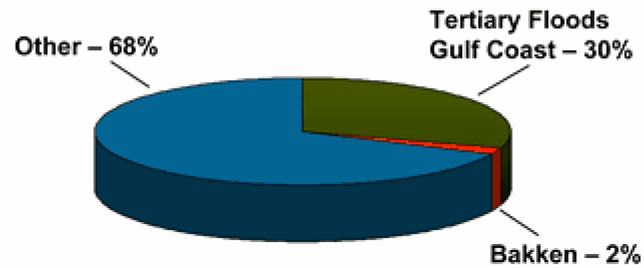
[1] EAC enterprise value reflects transaction purchase price of $$50.00/share and reserve numbers are consolidated for ENP. EAC enterprise value includes the market value of the minority interest in ENP

Adding Core Area With CO_2 & Unconventional Oil Potential

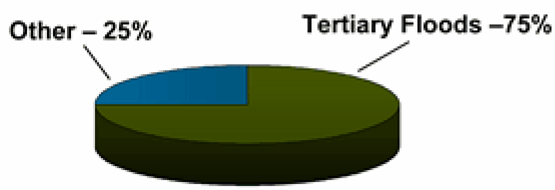
Denbury Current – Proved Reserves (1)



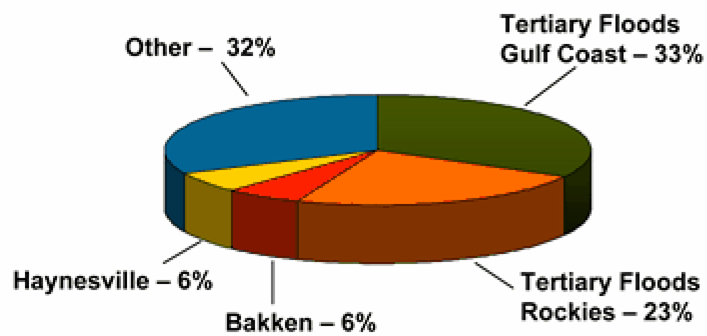
Denbury Pro Forma – Proved Reserves (1)



Denbury Current – 3P Reserves (1)

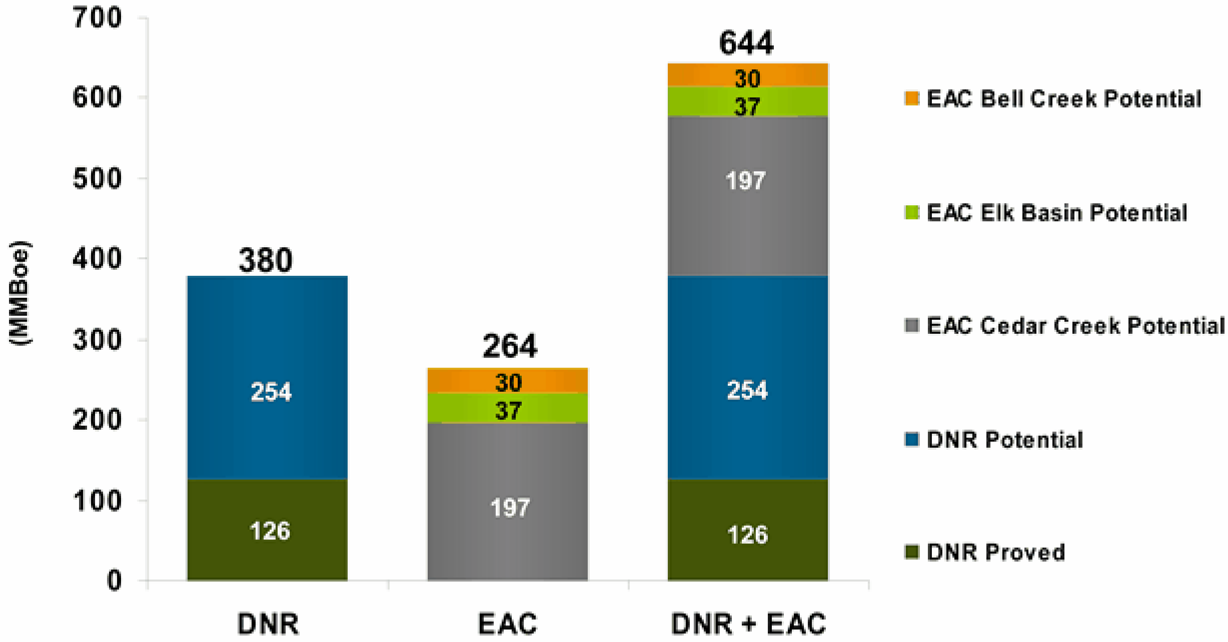


Denbury Pro Forma – 3P Reserves (1)



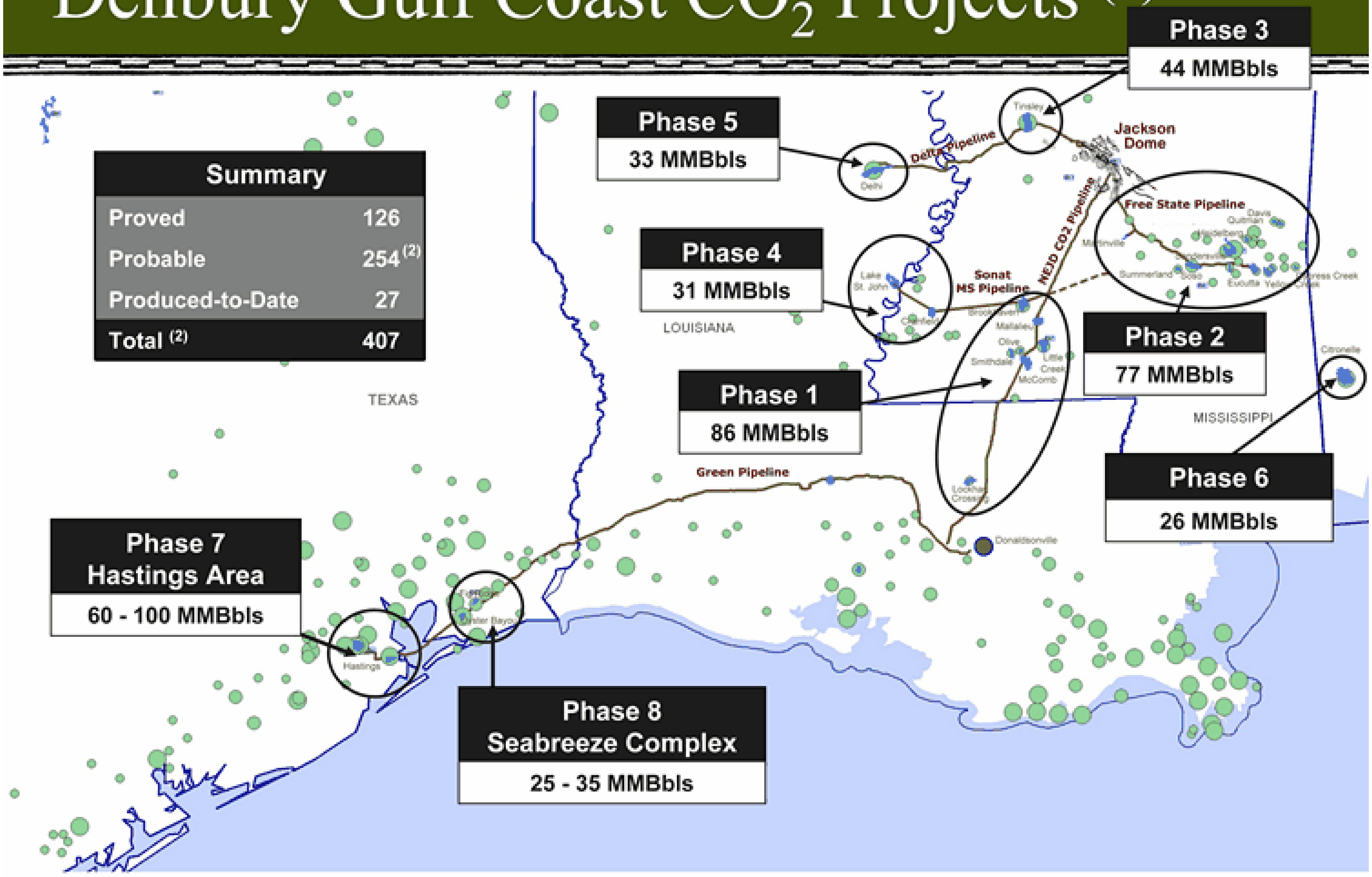
(1) As of 12/31/08, adjusted for acquisitions and divestitures. Excludes other 2009 changes.

EOR Potential of Currently Owned Fields (1)



(1) Proved, probable and possible reserve estimates as of 12/31/08.

Denbury Gulf Coast CO_2 Projects [(1)]

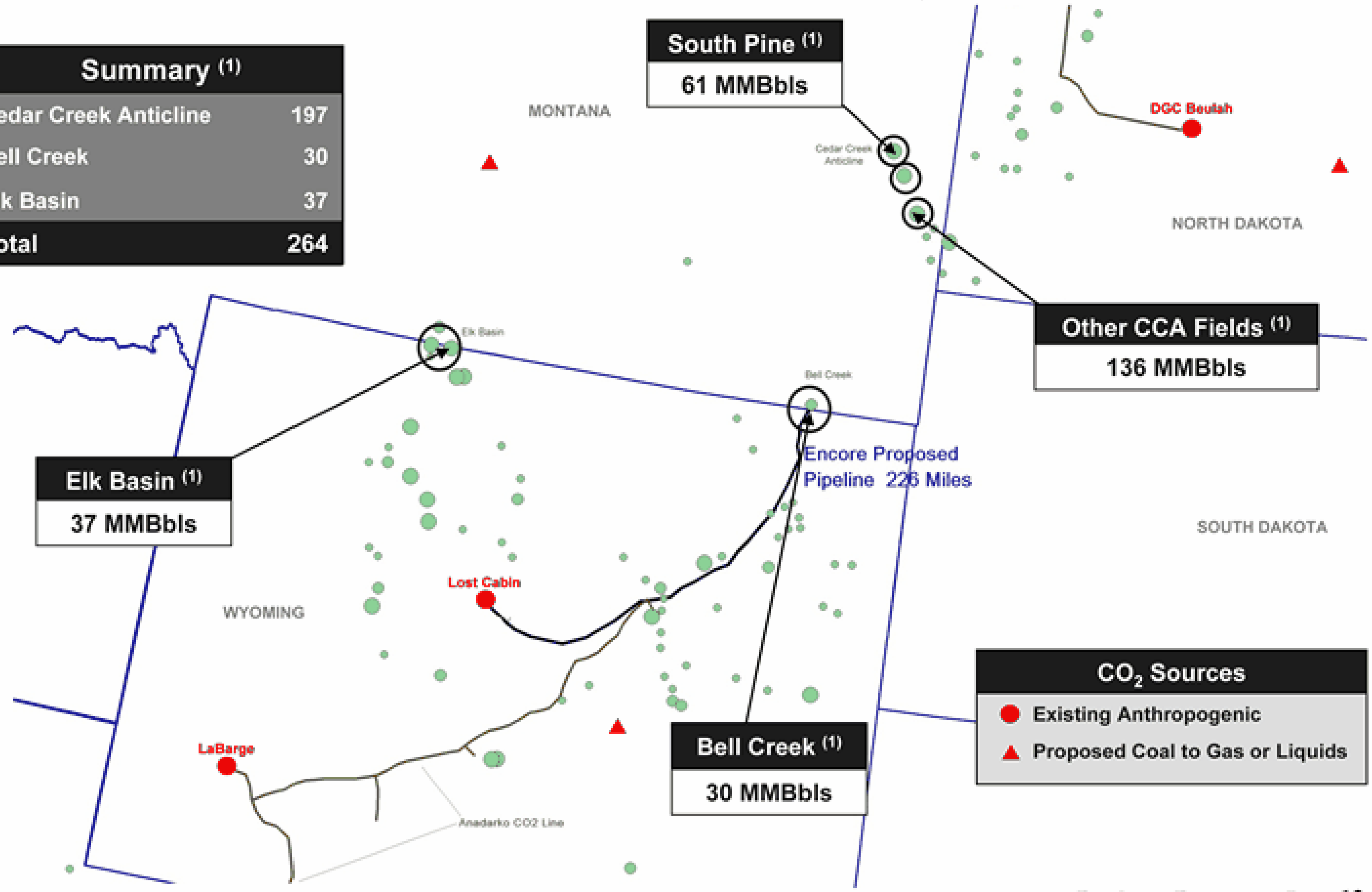


(1) Proved plus probable tertiary oil reserves as of 12/31/08, including past production, based on a range of recovery factors.

(2) Using mid-points of range.

Encore Rockies CO_2 Projects

Summary (1)	
Cedar Creek Anticline	197
Bell Creek	30
Elk Basin	37
Total	**264**

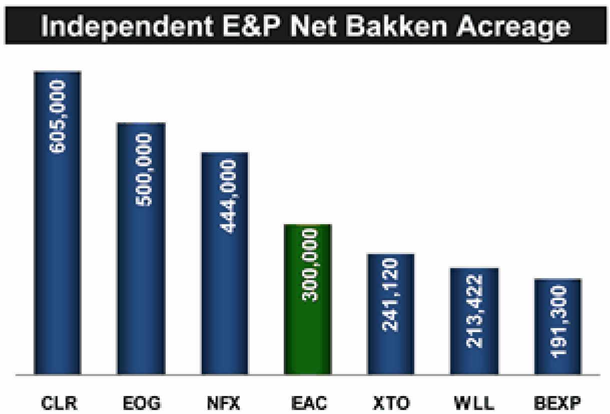


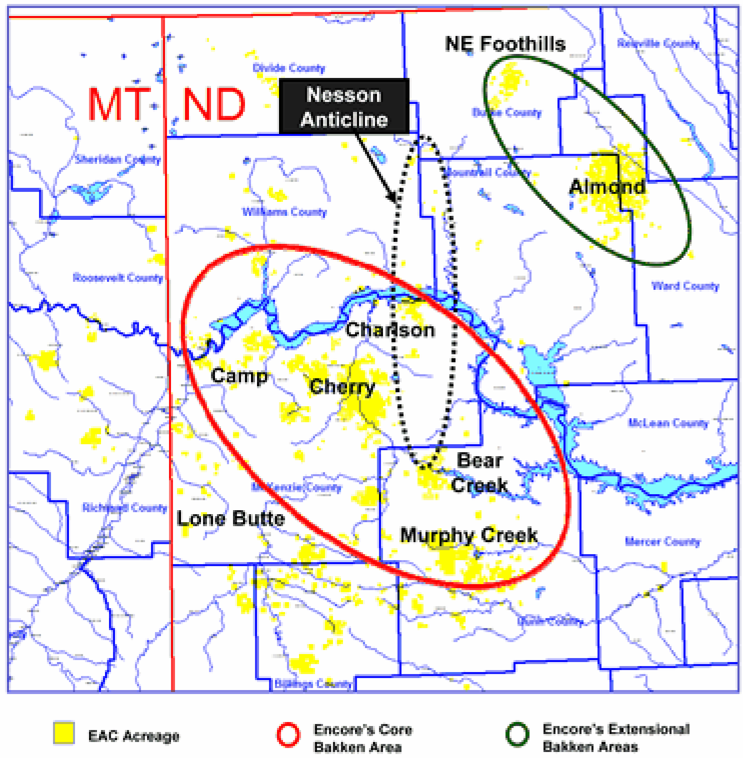
(1) Probable and possible reserve estimates as of 12/31/08.

Encore Has One of Largest Positions in ND Bakken (1)

Encore Poised for Success in North Dakota

- Over 300,000 Net Acres
- 84 MMBoe of Upside Potential
  - Based on 2 wells per section only
  - Only includes reserves for one reservoir
- 2 Operated Rigs Running Beginning of 2010





(1) Information based on Encore investor presentations and equity research.

Bakken Economics are Excellent

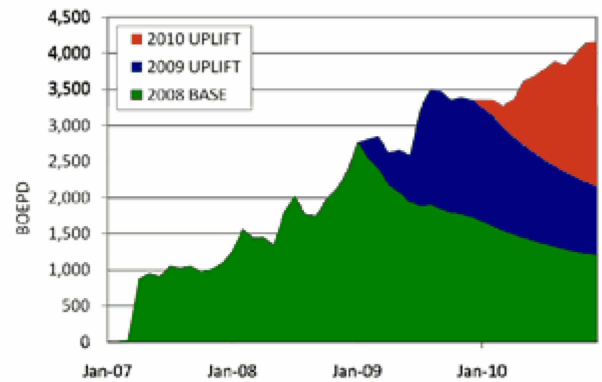
Bakken Economics

- **Average Well Cost - $5 Million with a Goal to Reduce to $4 Million**
  - Latest Werre Trust 21-3H Cost $4.1 million
    - Single stage frac'd that IP'D 1500 BOEPD
  - 7-day initial production 457 BOEPD
  - 30-day initial production 322 BOEPD
  - LOE = $6,500/well/mo
  - WI = 75% and NRI = 62%
  - Production Taxes
    - 11.5% for oil
    - $0.174/mcf for gas
  - 10% differential to NYMEX oil price
  - 5% premium to NYMEX gas price
  - GOR assumed to be 1,000 scf/stb
- **Evaluating Economics of Multi-Stage Versus Single Stage Fracs**

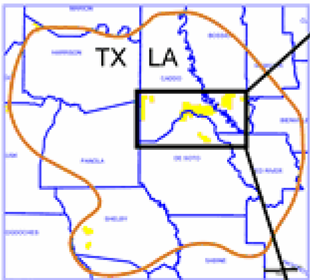
Rate of Return Matrix

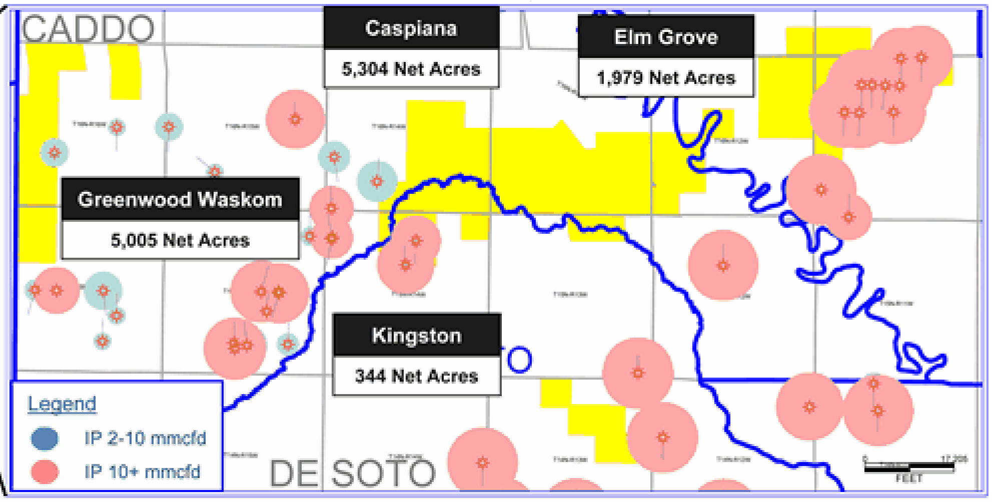
	Encore $4.5 Million Single Stage w/re-frac	Industry $5.2 Million Multi Stage
Oil & Gas Price	350 MBoe	350 MBoe
8/09 Strip [(1)]	77%	47%
$60/$6	37%	23%
$50/$5	23%	14%

Bakken Net Production



Haynesville Acreage is in the Sweet Spot



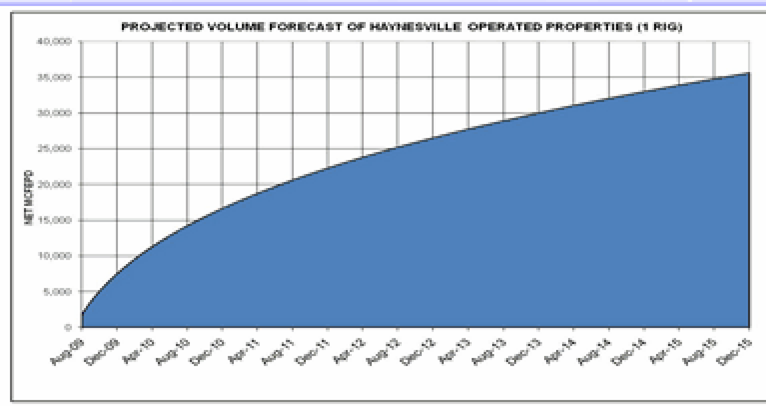


Haynesville

- Over 19,000 Total Net Acres
- 12,632 Net Acres in Heart of Play
- 280 Horizontal Locations (160 ac)
- Target Well Cost: $7.5 Million Gross
- 75 MMBoe Net Upside Reserves

ROR for $7.5 Million Investment

NYMEX Gas Price	Greenwood Waskom 5.0 BCFE	Caspiana 6.5 BCFE	Elm Grove 7.5 BCFE
$7.00/Mcf	25%	50%	75%
$6.00/Mcf	15%	30%	45%
$5.00/Mcf	7%	16%	25%



Financing Summary

- **$4.1 Billion Transaction (Excluding Minority Interest in ENP Partnership)**
  - **$2.0 billion equity consisting of 115 million - 146 million shares**
  - **$0.8 billion cash**
  - **$1.3 billion assumed debt [(1)]**
- **Full Financing Arranged by J.P. Morgan**
- **Liquidity Provided Through a Underwritten Commitment for a New $1.6 Billion Credit Facility**
  - **$850-$900 million expected to be initially drawn**
- **$375 Million Facility at Encore Energy Partners with $260 Million Initially Drawn**
- **$1.25 Billion Bridge Facility in Place to Provide Additional Liquidity and to Backstop the Refinancing of Up to $825 Million of Existing Encore Notes**
- **Anticipated Sale of at Least $500 Million of Select Non-Core Assets during 2010**

(1) Consolidated figure includes ENP debt outstanding as of 9/30/09.

Key Terms & Conditions

Consideration:	• Encore Shareholders Will Receive Total Value Per Share Equal to: ▪ $15.00 value per share in cash, plus ▪ $35.00 value per share in Denbury common stock
Collar:	• The Stock Component of the Consideration is Subject to a 12% Collar • In Addition to $15.00 Per Share in Cash, Encore Shareholders Will Receive a Minimum of 2.07 or a Maximum of 2.63 Denbury Shares for Each Encore Share
Election:	• Encore Shareholder Can Elect to Receive Consideration in Cash or Stock, Subject to Total Proration of 70% Stock / 30% Cash
Conditions:	• Denbury Shareholder Approval • Encore Shareholder Approval • Hart Scott Rodino Approval • Financing and Other Customary Conditions
Termination Fees:	• $60 Million – Shareholder No Votes • $120 Million – Breakup • $300 Million - Financing

Combined Asset Profile

	DRI	ENCO$_2$RE	Pro Forma
Enterprise Value (Billions)	$4.9	$4.5 (1)	$9.4
Proved Reserves (MMBoe) (2)	213	213	426
Oil % (2)	82%	66%	75%
Proved Developed % (2)	59%	83%	71%
Current Production (MBoe/d)	43	43	86
R/P	13.6	13.5	13.6

(1) Reflects transaction purchase price of $50.00/share.

(2) 12/31/08 proved reserves adjusted for announced acquisitions and divestitures.

Pro Forma Cost Structure

	Year-to-Date 6/30/09 ($/Boe)			
	DRI	ENCO$_2$RE	Pro Forma	Percent Change
LOE	$16.59	$11.23	$14.23	-14%
Production Tax, Marketing & Ad Valorem	2.09	4.00	2.93	40%
G&A	5.83	3.64	4.87	-17%
Exploration	---	3.60	---	NA
Interest (Net)	2.83	4.65	3.64	28%
Total Cash	$27.34	$27.12	$25.67	-6%

Pro Forma Capital Structure

($ Millions)	Denbury 9/30/09	Combined Pro Forma 9/30/09
Denbury Credit Facility	$20	$850 – $900
ENP Credit Facility	0	260
Denbury Senior Sub Notes	951	951
New/EAC Senior Sub Notes	0	1,250
GEL Financing And Other	250	250
Total Debt	**$1,221**	**$3,586**
Shareholders' Equity	1,755	3,826
Total Capitalization	**$3,011**	**$7,412**
Liquidity and Credit Statistics		
Credit Facility Size (1)	$750	$1,600
Availability Under Credit Facility (1)	$730	$700 – $750
Debt / Book Cap	41%	48%

(1) Excludes $375 million of facility size and $115 million availability under the ENP credit facility.

Combined Hedge Positions* – Crude Oil

Downside Protection			
Term	Contract	Bbls/d	Avg Price
1Q 2010	Swap	32,645	$56.49
1Q 2010	Floor	24,405	$68.78
2Q 2010	Swap	7,645	$71.66
2Q 2010	Floor	49,405	$59.28
3Q 2010	Swap	7,645	$71.66
3Q 2010	Floor	44,405	$62.29
4Q 2010	Swap	7,645	$71.66
4Q 2010	Floor	44,405	$63.70
2011	Swap	2,645	$76.97
2011	Floor	12,405	$70.96
2012	Swap	3,645	$77.90
2012	Floor	5,145	$66.46

Upside Limits			
Term	Contract	Bbls/d	Avg Price
1Q 2010	Cap	12,880	$85.46
2Q 2010	Cap	37,880	$78.70
3Q 2010	Cap	32,880	$80.55
4Q 2010	Cap	32,880	$87.35
2011	Cap	2,880	$95.41
2012	Cap	1,500	$81.12

* As of 11/1/09.

Combined Hedge Positions* – Natural Gas

Downside Protection

Term	Contract	Mcf/d	Avg Price
1Q 2010	Swap	91,004	$5.82
1Q 2010	Floor	16,996	$7.68
2Q 2010	Swap	91,004	$5.82
2Q 2010	Floor	16,996	$7.68
3Q 2010	Swap	71,004	$6.00
3Q 2010	Floor	26,996	$6.74
4Q 2010	Swap	71,004	$6.00
4Q 2010	Floor	26,996	$6.74
2011	Swap	64,004	$6.35
2011	Floor	6,796	$6.31
2012	Swap	32,004	$6.41
2012	Floor	1,796	$6.76

Upside Limits

Term	Contract	Mcf/d	Avg Price
1Q 2010	Cap	7,600	$9.58
2Q 2010	Cap	7,600	$9.58
3Q 2010	Cap	17,600	$7.69
4Q 2010	Cap	17,600	$7.69

* As of 11/1/09.

Summary

- Encore's Mature Legacy Oil Assets Excellent Fit with Denbury's Strategy
- Creates One of Largest EOR Recovery Platforms with Two Key Growth Areas
- Enhances Denbury's Position as World-Class CO_2 Tertiary Company
- Combination Positions Denbury for Robust Value Creation