DEAR FELLOW SHAREHOLDERS

The last two years have presented a challenging environment as the industry has endured the most significant and prolonged oil price downturn in history. After hitting a 14-year low of $26 per barrel in February, oil prices generally increased throughout 2016, ending the year at around $50 per barrel, supported in large part by the agreement of the Organization of Petroleum Exporting Countries ("OPEC") and certain non-OPEC countries to limit production. While we now see prospects for more long-term stability in the oil markets with a near balance of supply and demand, there is still a great deal of uncertainty around the near-term direction of oil prices, mainly driven by persistent high oil inventory levels, the recent sharp increase in shale drilling activity, and concerns about the duration of the commitment of OPEC and others to curtail production.

At Denbury, we responded quickly to the decline in oil prices, reducing our 2015 capital expenditures by over 60% from 2014, then reducing our 2016 capital by almost 50% from 2015. Our focus throughout this down cycle has been on the execution of four core goals: reducing costs, optimizing our business, reducing debt, and preserving cash and liquidity. We believe our results on the execution of these core goals has been significant and impactful.

We completed a robust review of each of our fields, identifying multiple opportunities to enhance value, including through the expansion and optimization of currently producing fields, as well as via other exploitation opportunities. During 2016, we reduced our full-year cash operating costs (including general and administrative costs and interest) by over $2 per barrel of oil equivalent from 2015, and by over $9 per barrel of oil equivalent since 2014. On an absolute-dollar basis, we lowered our combined lease operating and general and administrative expenses by nearly $135 million, or 20%, from 2015, and by $281 million, or 35%, compared to 2014. Although a portion of these savings is attributable to lower supplier costs, we do not expect to experience the same level of inflation forecasted by many of our industry peers as prices improve. Accordingly, we anticipate that many of our cost reductions will be sustainable, allowing us to develop our high-quality assets and expand our competitive operating margins.

Our business optimization efforts have not only generated significant cost savings to date, but they will provide additional benefits in the revamping of future projects. One of our more significant achievements is our improvement in CO_2 utilization. This was accomplished through a complete utilization re-evaluation, ensuring that injected volumes of CO_2 were generating the intended benefits and identifying areas for improvement. As a result of this work, we lowered our total company CO_2 usage in 2016 by 44% from early 2015, or, stated another way, we reduced our injection of nearly one billion cubic feet of CO_2 per day in early 2015, to an average of just over 500 million cubic feet per day in 2016. In addition to lowering our operating costs, this reduction in usage brings significant additional benefits to our long-range plans. In the past, CO_2 supply and distribution had been a potential limiting factor in our long-term plans for developing our floods. With this improved CO_2 efficiency, our CO_2 supply at Jackson Dome, where we are currently producing at less than 60% of the operational capacity, can service additional future CO_2 floods. We also expect to begin taking CO_2 deliveries from Mississippi Power's Kemper County power plant in the first half of 2017. Combined, this additional CO_2 supply capacity presents many new opportunities to expand our business beyond what we previously thought practicable.

In addition to CO_2 utilization efficiencies, we created further value in 2016 by constructing a natural gas liquids plant at Delhi Field in Louisiana, executing a joint venture at Grieve Field that will accelerate development without corresponding capital requirements, and divesting of assets that did not fit into our core asset profile. The natural gas liquids plant at Delhi Field, our largest capital expenditure item of 2016, came online in late 2016, as expected. The plant is working as designed to separate natural gas liquids from the CO_2 recycle stream for sale, generate power from methane, and facilitate higher flood sweep efficiencies.

We also took advantage of disconnected and volatile market conditions in 2016 to significantly reduce our debt, while preserving cash and liquidity. During 2016, we completed a series of privately negotiated debt exchanges and open-market debt repurchases, contributing to a net reduction of our debt principal balance of over $530 million since the end of 2015. When combined with the paydown of our debt with excess cash flow in 2015, we have realized a net debt reduction of nearly $800 million since the end of 2014. In addition to these debt reduction transactions, while managing our capital spending within cash flow, we have maintained nearly $675 million of liquidity on our bank credit facility, with the potential to issue another $385 million of junior lien debt. We are certainly pleased with the sizable progress we have made in reducing our debt and maintaining our liquidity, but, in the current price environment, our leverage metrics are not where we would like them to be. During 2017, we will continue to evaluate and pursue opportunities to improve our balance sheet and debt metrics, as well as proactively manage our bank credit facility to preserve our liquidity.

Looking forward, we are excited with the projects we have planned for 2017. In mid-February 2017, we announced an increase in our estimated capital budget from $209 million in 2016 to $300 million in 2017, with anticipated spending within, or very close to, our cash flow from operations in 2017, based on market prices at that date. We will continue to maintain flexibility in our capital program to adapt to changes in the oil price outlook, as appropriate. We expect this capital spending level should hold our 2017 average production rate roughly flat with our 2016 exit rate of just under 60,000 barrels of oil equivalent per day, placing us on an upward trajectory to resume modest production growth near the end of 2017 and into 2018. Much of our development capital will be directed toward continued development of our existing tertiary floods, where we have an ample inventory of projects with strong rates of return at current oil prices. In addition to this tertiary spending, a portion of the planned spending will be dedicated to our non-tertiary properties, with a smaller amount directed toward exploitation opportunities. In addition, as Denbury has historically done, we continue to look for acquisition opportunities that could allow us to accelerate growth and expand our inventory of future development opportunities.

To summarize, we are optimistic about what lies ahead. We have made significant improvements in our business over the last couple of years and have a plan in place to return to production growth. While we do not expect oil prices to return to the same levels we realized a few years ago, the market is showing signs of stability, and the adjustments made to our business over the past two years have made Denbury a stronger company. We believe that our strong base of long-lived low-decline oil assets, strategic CO_2 supply and distribution capacity, and unique enhanced oil recovery expertise all combine to set the stage for a great future for Denbury.

Sincerely,

Phil Rykhoek
Chief Executive Officer
March 30, 2017