

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
See Attached Statement

18 Can any resulting loss be recognized? ▶
See Attached Statement

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
See Attached Statement

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ Mark C. Allen Date ▶ 2/7/2018

Print your name ▶ Mark C. Allen Title ▶ Executive VP and Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

Report of Organizational Actions Affecting Basis of Securities – December 6, 2017

Disclaimer: The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account any note holder's specific circumstances. Note holders are urged to consult their own tax advisors regarding U.S. tax consequences of the transaction described herein and the impact to tax basis resulting from the transaction.

Report of Organizational Actions Affecting Basis of Securities – December 6, 2017

Form 8937, Part I, Lines 9 and 10

<u>Debt Instruments Exchanged</u>	<u>CUSIP</u>
\$364.0 million 5 ½% Senior Subordinated Notes, due 2022 (“the Old 2022 Notes”)	247916AD
\$246.8 million 4 ⅝% Senior Subordinated Notes, due 2023 (“the Old 2023 Notes”)	24823UAH
\$381.6 million 9 ¼% Senior Secured Second Lien Notes, due 2022 (“the New Second Lien Notes”)	247916AH
\$84.7 million 3 ½% Convertible Senior Notes, due 2024 (“the New Convertible Notes”)	247916AJ

Form 8937, Part II, Line 14

On December 6, 2017, in privately negotiated transactions, institutional holders of approximately \$610 million in aggregate principal amount of Denbury Resources Inc.’s (“Denbury” or “the Company”) outstanding senior subordinated notes due 2022 and 2023 (the “Old Notes”) exchanged those Old Notes for approximately \$466 million in aggregate principal amount of “New Notes” (defined below).

The “New Notes” consist of approximately \$381.6 million in aggregate principal amount of new 9¼% Senior Secured Second Lien Notes due 2022 (the “New Second Lien Notes”) and approximately \$84.7 million in aggregate principal amount of new 3½% Convertible Senior Notes due 2024 (the “New Convertible Notes”).

The Company exchanged the New Notes for approximately \$364.0 million in aggregate principal amount of its outstanding 5½% Senior Subordinated Notes due 2022 (the “2022 Notes”), reducing the outstanding principal amount of the 2022 Notes to \$409 million, and approximately \$246.8 million in aggregate principal amount of its 4⅝% Senior Subordinated Notes due 2023 (the “2023 Notes”), reducing the outstanding principal amount of the 2023 Notes to \$377 million.

The New Convertible Notes will mature on March 31, 2024 and will bear interest at a rate of 3.50% per annum payable in cash. The New Convertible Notes are convertible into the Company’s common stock at any time, at the option of the noteholders, at a rate of 444.44

shares of common stock per \$1,000 principal amount of New Convertible Notes, provided that the conversion rate will increase to (a) 460 shares of common stock per \$1,000 principal amount of New Convertible Notes if converted prior to February 12, 2018 or (b) 455.56 shares of common stock per \$1,000 principal amount of New Convertible Notes if converted between February 12 and April 12, 2018. The New Convertible Notes are convertible into between 38 million and 39 million shares of the Company's common stock. The New Convertible Notes will automatically convert at a rate of 444.44 shares per \$1,000 principal amount of New Convertible Notes if the Company's stock price is at or above \$2.65 per share based on a volume-weighted average price for ten out of fifteen consecutive trading days, subject to dividend, distribution or other customary adjustments.

Form 8937, Part II, Line 15

The Company intends to take the position that each Exchange of Old Notes and New Notes should qualify as a recapitalization under Section 368(a)(1)(E) of the Internal Revenue Code.

If all of the New Notes are treated as "securities" for these purposes, and each Exchange therefore qualifies as a "recapitalization," a participating U.S. Holder generally would not recognize any gain or loss in respect of the Exchange. A U.S. Holder would have an aggregate tax basis in the New Notes received equal to such holder's adjusted tax basis in the Old Notes exchanged therefor and a holding period in the New Notes that would include the period of time during which the holder held the Old Notes. A U.S. Holder would allocate its adjusted tax basis among the New Notes received in accordance with their relative fair market values.

If the New Convertible Notes are ultimately determined to constitute "securities" for these purposes but the New Second Lien Notes are not, the Exchange would still constitute a "recapitalization," but the New Second Lien Notes would constitute taxable "boot," which would give rise to gain (but not loss) for the exchanging holder in an amount equal to the lesser of the holder's gain and the fair market value of all boot received. In such event, (1) the initial tax basis of the New Second Lien Notes would equal their fair market value on the date of the Exchange and the holding period of such Notes would begin the day after the date of the Exchange, and (2) the initial tax basis of the New Convertible Notes would equal the adjusted tax basis of the Old Notes exchanged therefor, minus the fair market value of the New Second Lien Notes, plus the amount of any gain recognized (and the holding period of such New Notes would include the period of time during which the holder held the Old Notes).

Form 8937, Part II, Line 16

The calculation of the change in basis is described in Line 15. The New Second Lien Notes should be considered publicly traded under Treasury Regulation Section 1.1273-2 as they have a readily available quote on a market. We determined the issue price of the New Second Lien Notes as of December 6, 2017 to be 97.375% based on all available facts and circumstances, including indicative quotes from at least one broker, dealer, or pricing service. The New Second Lien Notes will be subject to Original Issue Discount (“OID”) for U.S. federal income tax purposes, as the issue price of the New Second Lien Notes is less than the stated principal amount by an amount greater than or equal to a statutorily defined de minimis amount (1/4 of 1 percent of the stated principal amount of such New Note multiplied by the number of complete years to maturity from its issue date). The amount of OID on a New Note is generally equal to the excess of the New Note’s stated principal amount over its issue price.

The New Convertible Notes are not considered publicly traded Treasury Regulation Section 1.1273-2 and meet the small issuance exception under Treasury Regulation Section 1.1273-2(f)(6), as the total outstanding stated principal amount of the issue does not exceed \$100 million. Thus, the issue price of the New Convertible Notes is equal to its face amount. The New Convertible Notes will not be subject to OID for U.S. federal income tax purposes.

Form 8937, Part II, Line 17

Section 354(a), 356, 358, 368(a)(1)(E), 1001, 1273

Form 8937, Part II, Line 18

No. See response to Line 15.

Form 8937, Part II, Line 19

The reportable tax year is 2017. For any additional information, see Denbury’s Investor Relations webpage.

<http://www.denbury.com/investor-relations/corporate-overview/default.aspx>