

DENBURY RESOURCES INC

Form 424B2

April 20, 2006

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**Prospectus**

**Filed pursuant to Rule 424(b)(2)  
Registration No. 333-133395**

***3,492,595 Shares***

**Denbury Resources Inc.**

***Common stock***

This is an offering of 3,492,595 shares of common stock of Denbury Resources Inc. You should read this prospectus carefully before you invest.

Our common stock is traded on the New York Stock Exchange under the symbol DNR. The last reported sales price of our Common Stock on the New York Stock Exchange on April 19, 2006 was \$36.60 per share.

**Investing in the common stock involves risks. See Risk Factors on page 8.**

The underwriter will purchase the common stock from us at a price of \$35.79 per share, resulting in \$125 million aggregate proceeds. The underwriter may offer the common stock from time to time in one or more transactions in the over-the-counter market or through negotiated transactions at market prices or at negotiated prices. If the underwriter sells more than 3,492,595 shares of common stock, the underwriter has an option for a period of 30 days to purchase up to an additional 523,889 shares of common stock at \$35.79 per share.

If the over-allotment is exercised in full, we will receive additional aggregate proceeds of \$18.75 million. We expect that delivery of the shares to investors will be made on or about April 25, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**JPMorgan**

April 20, 2006

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**This prospectus relates to the offer and sale by us of our common stock. You should rely on the information contained or incorporated by reference into this prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone else provides you with different or inconsistent information, you should not rely on it. We and the underwriter are not making an offer to sell our common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, results of operations, financial condition and prospects may have changed since those dates.**

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**Forward-looking statements**

Some of the information included in this prospectus, any prospectus supplement and the documents we have incorporated by reference contain forward-looking statements. Forward-looking statements use forward-looking terms such as believe, expect, may, intend, will, project, budget, should or a other similar words. These statements discuss forward-looking information such as:

CO<sub>2</sub> availability, deliverability and tertiary production targets;

other anticipated capital expenditures and budgets;

future cash flows and borrowings;

pursuit of potential future acquisition or drilling opportunities; and

sources of funding for exploration and development.

These forward-looking statements are based on assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks, including the following:

fluctuations of the prices received or demand for oil and natural gas;

uncertainty of drilling results, reserve estimates and reserve replacement;

operating hazards;

acquisition risks;

availability and deliverability of CO<sub>2</sub>;

reservoir response to CO<sub>2</sub> injections;

unexpected substantial variances in capital requirements;

environmental matters; and

general economic conditions.

Other factors that could cause actual results to differ materially from those anticipated are discussed in our periodic filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2005.

When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We will not update these forward-looking statements unless the securities laws require us to do so.

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**Where you can find more information**

We are subject to the informational requirements of the Securities Exchange Act of 1934, which requires us to file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference room. You may view our reports electronically at the SEC's Internet site at <http://www.sec.gov>, or at our own website at <http://www.denbury.com>.

This prospectus constitutes part of a Registration Statement on Form S-3 filed with the SEC under the Securities Act of 1933. It omits some of the information contained in the Registration Statement, and reference is made to the Registration Statement for further information with respect to us and the securities we are offering. Any statement contained in this prospectus concerning the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the SEC is not necessarily complete, and in each instance reference is made to the copy of the filed document.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supercede any information contained in this prospectus or incorporated by reference in this prospectus. We incorporate by reference (excluding any information furnished pursuant to Items 2.02 or 7.01 of any report on Form 8-K) the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all the securities covered by this prospectus:

1. Our Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 8, 2006; and
2. Current Reports on Form 8-K filed January 27, 2006, February 3, 2006, February 23, 2006, and February 24, 2006.

You may request a copy of these filings at no cost, by writing or telephoning Phil Rykhoek, Senior Vice President and Chief Financial Officer, Denbury Resources Inc., 5100 Tennyson Pkwy., Ste. 1200, Plano, Texas 75024, phone: (972) 673-2000.

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**Summary**

*In this prospectus, when we use the terms Denbury, the Company, we or our, we mean Denbury Resources Inc. and its subsidiaries on a consolidated basis, unless otherwise indicated or the context requires otherwise. Reference oil and natural gas prices used in this prospectus, mean the NYMEX WTI oil price and the Henry Hub natural gas cash price per MMBtu, unless otherwise indicated. Oil and natural gas terms used in this prospectus are defined in the Glossary section. Principal executive offices of the Company are located at 5100 Tennyson Pkwy., Suite 1200, Plano, Texas 75024. The phone number is (972) 673-2000.*

**The company**

We are an independent oil and gas company engaged in acquisition, development and exploration activities in the U.S. Gulf Coast region. We are the largest oil and natural gas producer in Mississippi, own the largest reserves of carbon dioxide ( CO<sub>2</sub> ) used for tertiary oil recovery east of the Mississippi River, and hold significant operating acreage onshore Louisiana and in the Barnett Shale play near Forth Worth, Texas. Our goal is to increase the value of acquired properties through a combination of exploitation, drilling and proven engineering extraction processes, including secondary (waterflood) and tertiary recovery operations.

Since we acquired our first carbon dioxide tertiary flood in Mississippi over six years ago, we have gradually increased our emphasis on these types of operations. We particularly like this play because of its risk profile, rate of return and lack of competition in our operating area. Generally, from East Texas to Florida, there are no known significant natural sources of carbon dioxide except our own, and these large volumes of CO<sub>2</sub> that we own drive the play. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and the section entitled Oil and Gas Operations Our CO<sub>2</sub> Assets contained in our Form 10-K for the year ended December 31, 2005 for further information regarding these operations, their potential, and the ramifications of this focus.

**Recent acquisition**

On January 31, 2006, we completed an acquisition of three producing oil properties that are future potential CO<sub>2</sub> tertiary oil flood candidates: Tinsley Field approximately 40 miles northwest of Jackson, Mississippi, Citronelle Field in Southwest Alabama, and the smaller South Cypress Creek Field near the Company's Eucutta Field in Eastern Mississippi. We expect to begin our initial tertiary development work at Tinsley Field during 2006, with more extensive development planned for 2007. The timing of tertiary development at Citronelle Field is uncertain as we will need to build a 60 to 70 mile pipeline extension of our CO<sub>2</sub> line to East Mississippi before flooding can commence, and South Cypress Creek will probably be flooded following our initial development of our other East Mississippi properties.

The preliminary adjusted purchase price for these three properties was approximately \$248 million, after adjusting for interim net cash flow and minor purchase price adjustments. The acquisition was funded with proceeds of the \$150 million of senior subordinated notes issued in December 2005 and bank financing under the Company's existing credit facility, bringing the outstanding balance of the Company's bank debt as of January 31, 2006 to approximately \$100 million (\$120 million as of April 14, 2006).

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These three fields are currently producing approximately 2,200 BOE/d net to the acquired interests, and have proved reserves of approximately 14.4 million BOEs. We operate all three fields and own the majority of the working interests.

**First quarter 2006 production estimate**

Based on preliminary estimates, the Company's production for the first quarter of 2006 is expected to be between 35,000 to 36,000 BOE/d. Production by area is expected to be approximately 12,400 BOE/d from the non-CO<sub>2</sub> floods in Mississippi, 9,750 BOE/d from CO<sub>2</sub> floods, 8,350 BOE/d from Louisiana, 4,000 BOE/d from the Barnett Shale, and approximately 1,000 BOE/d from Alabama, in each case plus or minus up to 250 BOE/d. First quarter preliminary estimates include two months of production from the three properties acquired in late January 2006, production from which is estimated to contribute approximately 1,400 BOE/d to estimated total first quarter production.

**First quarter 2006 estimated preliminary financial data**

Each fiscal quarter we charge to earnings any changes in the fair value of our derivative contracts. We preliminarily estimate that this non-cash charge for the first quarter of 2006 will be approximately \$10.9 million; for the quarter we also will record for the first time a non-cash charge to earnings estimated to be up to \$3.0 million to reflect the adoption on January 1, 2006 of SFAS No. 123(R) related to compensation expense for share-based compensation.

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**The offering**

<b>Issuer</b>	Denbury Resources Inc.
<b>Common stock offered</b>	3,492,595 shares (4,016,484 shares if the underwriter's over-allotment option is exercised in full)
<b>Common stock outstanding immediately after this offering</b>	119,027,350 shares (119,551,239 shares if the underwriter's over-allotment option is exercised in full)
<b>Use of proceeds</b>	We will use the net proceeds from this offering to repay our outstanding \$120 million of bank debt, with the balance to be used for general corporate purposes, which may include additions to working capital. See Use of proceeds below.
<b>Dividend policy</b>	We have never declared or paid dividends on our common stock. We do not expect to pay any dividends in the foreseeable future. We currently intend to retain our earnings for the development of our business.

The common stock outstanding immediately after the offering is based on 115,534,755 shares outstanding as of April 14, 2006 and excludes 8,495,741 shares of common stock subject to options and 360,231 shares of common stock subject to stock appreciation rights outstanding as of April 14, 2006 at a weighted average option price of \$8.36 per share and a weighted average stock appreciation right base price of \$25.23.

Except as otherwise stated, the information in this prospectus does not take into account the exercise of the underwriter's over-allotment option to purchase additional shares in the event the underwriters sell more than 3,492,595 shares.



**Table of Contents****Summary consolidated financial data**

The summary historical consolidated financial data set forth below as of and for each of the years ended December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements. The summary consolidated financial data are qualified in their entirety by and should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Result of Operations that are incorporated by reference into this prospectus.

**Year ended December 31,  
(in thousands)**

	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Statement of operations data:</b>			
Revenues:			
Oil, natural gas and related product sales	\$ 385,463	\$ 444,777	\$ 549,055
CO <sub>2</sub> sales	8,188	6,276	8,119
Loss on effective hedge contracts	(62,210)	(70,469)	
Interest income and other	1,573	2,388	3,218
<b>Total revenues</b>	<b>333,014</b>	<b>382,972</b>	<b>560,392</b>
Expenses:			
Lease operating expenses	89,439	87,107	108,550
Production taxes and marketing expenses	14,819	18,737	27,582
CO <sub>2</sub> operating expenses	1,710	1,338	2,251
General and administrative	15,189	21,461	28,540
Depreciation, depletion, and accretion	94,708	97,527	98,802
Interest, net of amounts capitalized	23,201	19,468	17,978
Loss on early retirement of debt	17,629		
Commodity derivative expense (income)	(3,578)	15,358	28,962
<b>Total expenses</b>	<b>253,117</b>	<b>260,996</b>	<b>312,665</b>
Equity in net income (loss) of Genesis Energy	256	(136)	314
<b>Income before income taxes</b>	<b>80,153</b>	<b>121,840</b>	<b>248,041</b>
Income tax provision (benefit):			
Current	(91)	22,929	27,177
Deferred	26,303	16,463	54,393
<b>Total income taxes</b>	<b>26,212</b>	<b>39,392</b>	<b>81,570</b>

**Table of Contents****Year ended December 31,  
(in thousands)**

	<b>2003</b>	<b>2004</b>	<b>2005</b>
Income before cumulative effect of change in accounting principle	53,941	82,448	166,471
Cumulative effect of change in accounting principle, net of income taxes of \$1,600	2,612		
<b>Net income</b>	<b>\$ 56,553</b>	<b>\$ 82,448</b>	<b>\$ 166,471</b>

**Other financial data:**

Oil and gas capital expenditures	\$ (158,444)	\$ (178,070)	\$ (379,236)
CO <sub>2</sub> capital expenditures	(22,673)	(50,265)	(78,720)
Net cash provided by operating activities	197,615	168,652	360,960
Net cash used for investing activities(1)	(135,878)	(93,550)	(383,687)
Net cash provided by (used for) financing activities	(61,489)	(66,251)	154,777

**Balance sheet data (at end of period):**

Oil and gas properties, net(2)	\$ 765,249	\$ 659,855	\$ 940,786
Total assets	982,621	992,706	1,505,069
Long-term debt, including current portion(3)	298,203	227,956	380,035
Stockholders' equity	421,202	541,672	733,662

(1) Includes \$187.5 million of proceeds from sale of Denbury Offshore, Inc. for the year ended December 31, 2004.

(2) Excludes net book value of CO<sub>2</sub> related property and equipment.

(3) We purchased certain oil and gas properties in January 2006 for approximately \$248 million. After giving effect to the borrowings made for the acquisition, as of April 14, 2006 we have approximately \$501 million of long-term debt outstanding.

**Table of Contents****Summary oil and natural gas reserve data**

The following table summarizes our estimates of net proved oil and natural gas reserves as of the dates indicated and the present value attributable to the reserves at such dates. Estimates of our net proved oil and natural gas reserves as of December 31, 2003, 2004 and 2005 were prepared by DeGolyer and MacNaughton, an independent petroleum engineering firm located in Dallas, Texas.

All reserve estimates were prepared using constant year-end prices and costs in accordance with the guidelines of the SEC based on the prices received on a field-by-field basis as of December 31 of each year. Reserve estimates do not include any value for probable or possible reserves which may exist, nor do they include any value for undeveloped acreage. The reserve estimates represent our net revenue interest in our properties.

	December 31, 2003	December 31, 2004	December 31, 2005
<b>Estimated proved reserves:</b>			
Oil (MBbls)	91,266	101,287	106,173
Natural gas (MMcf)	221,887	168,484(1)	278,367
Oil equivalent (MBOE)	128,247	129,369	152,568
<b>Percentage of total MBOE:</b>			
Proved producing	43%	39%	40%
Proved non-producing	18%	16%	16%
Proved undeveloped	39%	45%	44%
<b>Representative oil and gas prices:(2)</b>			
Oil NYMEX WTI per Bbl	\$ 32.52	\$ 43.45	\$ 61.04
Natural gas Henry Hub cash price per MMBtu	5.97	6.18	10.08
<b>Present values (in thousands):(3)</b>			
Discounted estimated future net cash flow before income taxes (PV-10 Value) (thousands)	\$ 1,566,371	\$ 1,643,289	\$ 3,215,478
Standardized measure of discounted future net cash flows after income taxes (thousands)	1,124,127	1,129,196	2,084,449
<b>Average reserve life index(4)</b>	10.1	10.7	14.0

(1) Decrease in natural gas reserves in 2004 is primarily related to the sale of Denbury Offshore, Inc. in July 2004.

(2) Oil and natural gas reference prices as of each respective period end were based on NYMEX WTI oil prices per Bbl and Henry Hub cash prices per MMBtu, with these representative prices adjusted for differentials by field to arrive at the appropriate net price we receive.

(3) Determined based on period-end unescalated prices and costs in accordance with the guidelines of the SEC, discounted at 10% per annum.

(4) Average reserve life index is calculated by dividing total reserves by our actual production for the period.

**Table of Contents****Summary operating data**

The following table shows certain summary information with respect to production and sales of oil and natural gas for the periods indicated.

Year ended December 31,	2003	2004	2005
<b>Average daily production volumes:</b>			
Oil (Bbls)	18,894	19,247	20,013
Natural gas (Mcf)(1)	94,858	82,224	58,696
BOE(2)	34,704	32,951	29,795
<b>Unit sales prices (excluding impact of derivative settlements):</b>			
Price per Bbl of oil	\$27.47	\$36.46	\$50.30
Price per Mcf of natural gas	5.66	6.24	8.48
<b>Unit sales prices (including impact of derivative settlements):</b>			
Price per Bbl of oil	\$24.52	\$27.36	\$50.30
Price per Mcf of natural gas	4.45	5.57	7.70
<b>Per BOE data:(2)</b>			
Oil, natural gas and related product sales	\$30.43	\$36.88	\$50.49
Loss on settlements of derivative contracts	(4.91)	(7.01)	(1.54)
Lease operating expenses	(7.06)	(7.22)	(9.98)
Production taxes and marketing expenses	(1.17)	(1.55)	(2.54)
Production netback	17.29	21.10	36.43
Operating margin from CO <sub>2</sub> operations	0.51	0.41	0.54
General and administrative expense	(1.20)	(1.78)	(2.62)
Net cash interest expense	(1.61)	(1.34)	(1.28)
Current income taxes and other	(0.01)	(1.78)	(1.50)
Changes in assets and liabilities relating to operations	0.62	(2.63)	1.62
Cash flow from operations	\$15.60	\$13.98	\$33.19

(1) Decrease in natural gas production in 2005 is primarily related to the sale of Denbury Offshore, Inc. in July 2004.

(2) Barrel of oil equivalent using the ratio of one Bbl of oil to six Mcf of natural gas.

**Table of Contents****Risk factors**

Investing in our common stock involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from Item 1.A., captioned Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2005.

**Price range of common stock and dividend policy**

The following table summarizes the high and low reported sales prices of our common stock on the New York Stock Exchange (NYSE), for each quarterly period for the last two completed fiscal years and the first and second quarters of 2006. The sales prices are adjusted to reflect our 2-for-1 stock split on October 31, 2005. On April 19, 2006, the last reported sales price of our common stock, as reported on the NYSE, was \$36.60 per share.

	Price	
	High	Low
<b>Year ended December 31, 2004</b>		
First Quarter	\$ 8.47	\$ 6.63
Second Quarter	10.87	8.36
Third Quarter	13.10	9.30
Fourth Quarter	14.65	12.03
<b>Year ended December 31, 2005</b>		
First Quarter	\$ 18.32	\$ 12.37
Second Quarter	20.53	14.02
Third Quarter	25.71	19.95
Fourth Quarter	25.50	19.36
<b>Year ended December 31, 2006</b>		
First Quarter	\$ 32.65	\$ 23.57
Second Quarter (through April 19)	36.60	31.66

We have never paid any dividends on our common stock and we currently do not anticipate paying any dividends in the foreseeable future. Also, we are restricted from declaring or paying any cash dividends on our common stock under our bank loan agreement.

**Use of proceeds**

We estimate that the net proceeds from this offering will be approximately \$124.7 million after deducting the expenses of the offering.

We intend to use most of the net proceeds from this offering to repay current borrowings under our bank credit facility, which were approximately \$120 million as of April 14, 2006. The remaining \$4.7 million of net proceeds will be used for general corporate purposes, which may include additions to working capital, development and exploration expenditures or the financing of acquisitions. As of April 14, 2006, the average interest rate on borrowings under our bank credit facility, which matures on April 30, 2009, was 6.09%.

**Table of Contents****Capitalization**

The following table sets forth our cash and capitalization as of December 31, 2005:

on an actual basis.

on a pro forma basis to give effect to our purchase of three oil and gas properties in January 2006 for approximately \$248 million, comprised of \$123 million paid from available cash (from our December 2005 sale of \$150 million of senior subordinated notes), \$25 million previously paid as a deposit in November 2005 and \$100 million of borrowings under our bank credit facility as of January 31, 2006.

on an as adjusted basis to give effect to this offering and the repayment of borrowings under our bank credit facility.

<b>December 31, 2005</b> <b>(in thousands)</b>	<b>Actual</b>	<b>Pro Forma for Acquisition</b>	<b>As Adjusted</b>
Cash and cash equivalents	\$ 165,089	\$ 42,089	\$ 66,789
Long-term debt:			
Capital lease obligations	\$ 5,870	\$ 5,870	\$ 5,870
Bank credit facility		100,000	
7 <sup>1</sup> / <sub>2</sub> % Senior Subordinated Notes due 2013	225,000	225,000	225,000
7 <sup>1</sup> / <sub>2</sub> % Senior Subordinated Notes due 2015	150,000	150,000	150,000
Total long term debt	380,870	480,870	380,870
Stockholders equity	733,662	733,662	858,362
Total capitalization	\$ 1,114,532	\$ 1,214,532	\$ 1,239,232

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**Description of capital stock**

**General**

As of April 14, 2006, we are authorized to issue up to 275,000,000 shares of stock, including up to 250,000,000 shares of common stock, par value \$.001 per share, and up to 25,000,000 shares of preferred stock, par value \$.001 per share. As of April 14, 2006, we had 115,534,755 shares of common stock and no shares of preferred stock outstanding. This excludes 8,495,741 shares of common stock subject to options under our option plans, and 360,231 shares of common stock subject to stock appreciation rights outstanding as of April 14, 2006 at a weighted average option price of \$8.36 per share and a weighted average stock appreciation right base price of \$25.23.

**Common stock**

The following is a summary of the key terms and provisions of our common stock. You should refer to the applicable provisions of our Restated Certificate of Incorporation, as amended, bylaws and the Delaware General Corporation Law for a complete statement of the terms and rights of our capital stock.

*Voting rights.* Each holder of common stock is entitled to one vote per share. Subject to the rights, if any, of the holders of any series of preferred stock pursuant to applicable law or the provision of the certificate of designation creating that series, all voting rights are vested in the holders of shares of common stock.

Holders of shares of common stock have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors, and the holders of the remaining shares voting for the election of directors will not be able to elect any directors.

*Dividends.* Dividends may be paid to the holders of common stock when, as and if declared by the board of directors out of funds legally available for their payment, subject to the rights of holders of any preferred stock. We have never declared a cash dividend and intend to continue our policy of using retained earnings for expansion of our business.

*Rights upon liquidation.* In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of our common stock will be entitled to share equally, in proportion to the number of shares of common stock held by them, in any of our assets available for distribution after the payment in full of all debts and distributions and after the holders of all series of outstanding preferred stock, if any, have received their liquidation preferences in full.

*Non-assessable.* All outstanding shares of common stock are fully paid and non-assessable. Any additional common stock we offer and issue under this Prospectus will be fully paid and non-assessable when distributed.

*Anti-takeover measures.* Our Restated Certificate of Incorporation, as amended, requires a two-thirds majority vote by the Board on many significant transactions, including amending our charter or bylaws, issuing equity securities, creating any series of preferred stock, issuing debt in excess of 10% of our assets, making acquisitions or dispositions with a purchase price in excess of 20% of our assets, or increasing or decreasing the size of our Board. Because a smaller number of directors than a majority can join together to block future transactions, issuances of securities or changes in our organizational documents, there is an increased possibility that these transactions will not be accomplished.

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*No preemptive rights.* Holders of common stock are not entitled to preemptive purchase rights in future offerings of our common stock.

*Listing.* Our outstanding shares of common stock are listed on the New York Stock Exchange under the symbol DNR. Any additional common stock we offer and issue under this Prospectus will also be listed on the New York Stock Exchange or any other exchange on which our common stock is then traded.

**Underwriting**

We are offering the shares of common stock described in this prospectus through J.P. Morgan Securities Inc., the underwriter. We have entered into an underwriting agreement with the underwriter. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase, at the purchase price set forth on the cover page of this prospectus, 3,492,595 shares of common stock.

The underwriter is committed to purchase all the common shares offered by us if it purchases any shares. The underwriter proposes to offer the shares of common stock from time to time for sale in one or more transactions in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of the sale, at prices related to prevailing market prices or at negotiated prices, subject to receipt and acceptance by it and subject to its right to reject any order in whole or in part. In connection with the sale of the shares of common stock offered hereby, the underwriter may be deemed to have received compensation in the form of underwriting discounts. The underwriter may effect such transactions by selling shares of the common stock offered hereby to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriter and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal.

The underwriter has an option to buy up to 523,889 additional shares of common stock from us to cover sales of shares by the underwriter which exceed the number of shares specified above. The underwriter has 30 days from the date of this prospectus to exercise this over-allotment option. If any additional shares of common stock are purchased, the underwriter will offer the additional shares in the same manner as those on which the shares are being offered.

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, will be approximately \$300,000.

We, our directors and executive officers have entered or will enter into lock-up agreements with the underwriter pursuant to which we and each of these persons, with limited exceptions, for a period of 75 days after the date of this prospectus, may not, without the prior written consent of the underwriter, (1) offer, pledge, announce the intention to sell, sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock (including, without limitation, common stock which may be deemed to be beneficially owned by such directors and executive officers in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common



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stock or such other securities, in cash or otherwise. The lock-up agreement described above will not apply to sales or transfers of common stock by our directors and executive officers, so long as the aggregate number of shares of common stock sold or transferred by them during the 75 days after the date of this prospectus does not exceed 200,000 shares.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933.

Our common stock is listed on the New York Stock Exchange under the symbol DNR .

In connection with this offering, the underwriter may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriter of a greater number of shares of common stock than it is required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriter's over-allotment option referred to above, or may be naked shorts, which are short positions in excess of that amount. The underwriter may close out any covered short position either by exercising its over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriter will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriter may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriter creates a naked short position, it will purchase shares in the open market to cover the position.

The underwriter has advised us that, pursuant to Regulation M of the Securities Act of 1933, it may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriter commences these activities, it may discontinue them at any time. The underwriter may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriter and its affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, the underwriter and its affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. As an affiliate of the underwriter is expected to receive a portion of the net proceeds from this offering, this offering is being conducted pursuant to NASD Conduct Rule 2710(h).

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**Legal matters**

Certain legal matters with respect to the common stock offered hereby will be passed upon for us by Jenkens & Gilchrist, A Professional Corporation, Houston, Texas. Simpson Thacher & Bartlett LLP, New York, New York, is acting as counsel for the underwriter in connection with this offering.

**Experts**

The consolidated financial statements of the Company as of December 31, 2003 and for the year ended December 31, 2003 incorporated by reference in this prospectus have been audited by Deloitte and Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Certain estimates of our oil and natural gas reserves and related information as of December 31, 2003, 2004 and 2005 included in this prospectus and/or incorporated by reference in this prospectus have been derived from engineering reports prepared by DeGolyer and MacNaughton, and all such information has been so included on the authority of such firms as experts regarding the matters contained in their reports.

**Commission position on indemnification for  
Securities Act liabilities**

Section 145 of the Delaware General Corporation Law (the "DGCL"), empowers us under specified circumstances, to indemnify our directors, officers, employees and agents in connection with actions, suits or proceedings brought against them or threatened by reason of the fact that they were our directors, officers, employees or agents, so long as they acted in good faith and in a manner that they reasonably believed to be in, or not opposed to, the best interests of our Company, and with respect to any criminal action, that they had no reasonable cause to believe their conduct was unlawful. With respect to suits by or in the right of our Company, however, indemnification is generally limited to attorneys' fees and other expenses and is not available if such person is adjudged to be liable to us, unless a court determines that indemnification is appropriate.

Article IX of our Restated Certificate of Incorporation, as amended requires indemnification of directors, officers and other employees to the fullest extent permitted by Section 145 of the DGCL. Furthermore, Article IX explicitly provides that:

we may advance expenses, including reasonable attorneys' fees, to individuals entitled to indemnification;

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we may not take any action to diminish or reduce the rights of individuals entitled to indemnification after the occurrence of the events to which the indemnification relates; and

any person entitled to indemnification by us may bring suit against us if we do not pay them within 30 days after receiving a written demand for indemnification and, if successful, such person may recover their expenses for such suit, including attorneys' fees, from us. In the suit, we will have the burden of proving any defense that the person is not eligible for indemnification under the DGCL.

Additionally, we maintain directors and officers insurance which includes coverage for liability under the federal securities laws.

Article X of our Restated Certificate of Incorporation, as amended limits the personal liability of a director to us or our stockholders for monetary damages for breach of fiduciary duty as a director provided that a director's liability may not be limited (i) for any breach of the director's duty of loyalty to us or our stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 (relating to liability for unauthorized acquisitions or redemptions of, or dividends on, capital stock) of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

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**Glossary**

The terms defined in this section are used throughout this prospectus:

Bbl	One stock tank barrel, of 42 U.S gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.
BOE	One barrel of oil equivalent using the ratio of one barrel of crude oil, condensate or natural gas liquids to 6 Mcf of natural gas.
BOE/d	BOEs per day.
Btu	British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.
CO <sub>2</sub>	Carbon Dioxide.
MBbls	One thousand barrels of crude oil or other liquid hydrocarbons.
MBOE	One thousand BOEs.
Mcf	One thousand cubic feet of natural gas or CO <sub>2</sub> .
MCFE	One thousand cubic feet of natural gas equivalent using the ratio of one barrel of crude oil, condensate or natural gas liquids to 6 Mcf of natural gas.
MMBtu	One million Btus.
MMcf	One million cubic feet of natural gas or CO <sub>2</sub> .
PV-10 Value	When used with respect to oil and natural gas reserves, PV-10 Value means the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs and abandonment, using prices and costs in effect at the determination date, and before income taxes, discounted to a present value using an annual discount rate of 10% in accordance with the guidelines of the Securities and Exchange Commission.
Proved Developed Reserves*	Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved Reserves*	The estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

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Proved Undeveloped Reserves\* Reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required.

\* This definition is an abbreviated version of the complete definition as defined by SEC in Rule 4-10(a) of Regulation S-X. See [www.sec.gov/divisions/corpfin/forms/regsx.htm#gas](http://www.sec.gov/divisions/corpfin/forms/regsx.htm#gas) for the complete definition.

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***3,492,595 shares***  
**Denbury Resources Inc.**  
***Common stock***  
**Prospectus**  
**JPMorgan**

April 20, 2005