



**CITY OF PLANO
COUNCIL AGENDA ITEM**

CITY SECRETARY'S USE ONLY				
<input type="checkbox"/> Consent <input type="checkbox"/> Regular <input type="checkbox"/> Statutory				
Council Meeting Date:		7/26/10		
Department:		Finance		
Department Head		Denise Tacke		
Agenda Coordinator (include phone #): Katherine Crumbley - 7479				
CAPTION				
A Resolution of the City Council of the City of Plano, Texas, nominating Denbury Onshore , LLC, to the Office of the Governor, Economic Development and Tourism through the Texas Economic Development Bank for designation as an Enterprise Project under the Texas Enterprise Zone Program pursuant to the Texas Enterprise Zone Act, Texas Government Code, Chapter 2303; and providing an effective date.				
FINANCIAL SUMMARY				
<input checked="" type="checkbox"/> NOT APPLICABLE <input type="checkbox"/> OPERATING EXPENSE <input type="checkbox"/> REVENUE <input type="checkbox"/> CIP				
FISCAL YEAR:	Prior Year (CIP Only)	Current Year	Future Years	TOTALS
Budget	0	0	0	0
Encumbered/Expended Amount	0	0	0	0
This Item	0	0	0	0
BALANCE	0	0	0	0
FUND(S):				
COMMENTS: This item has no fiscal impact.				
SUMMARY OF ITEM				
Request for Enterprise Project Nomination for job retention benefits.				
List of Supporting Documents:			Other Departments, Boards, Commissions or Agencies	
Resolution				
Letter of request				



Denbury Resources Inc.

Corporate Headquarters

P.O. Box 251289
Plano, Texas 75025-1289
5100 Tennyson Pkwy., Suite 3000
Plano, Texas 75024
Main Telephone: (972) 673-2000
Fax: (972) 673-2299

Certified Mail Receipt # 7010 0290 0003 2074 9495

June 16, 2010

Mr. Phil Dyer
Mayor
City of Plano
1520 Avenue K
P.O. Box 860358
Plano, Texas 75086-0358

**RE: Request for Enterprise Project Nomination for Job Retention Benefits
Denbury Onshore, LLC – Plano, Texas Headquarters**

Dear Mayor Dyer,

We are pleased to present the relevant information required by Chapter 2303 of the Texas Government Code (“Texas Enterprise Zone Act”) for your consideration and nomination of Denbury Onshore, LLC’s (“Denbury” or “Company” or “our” or “we” or “us”) new headquarters facility in the City of Plano as a Designated Enterprise Project (“Project”) for job retention and creation benefits. Denbury Onshore, LLC is a Delaware limited liability company, and is a subsidiary of Denbury Resources Inc., which is a publicly traded company on the New York Stock Exchange under the symbol DNR.

Denbury was originally founded in 1990 as an “acquire and exploit” oil and natural gas company that also included a sizeable oil and gas exploration effort. In 1999, our management team concluded that CO₂ enhanced oil recovery (“EOR”) would be our primary focus, our core business, and our niche in the oil and gas industry. As of March 10, 2010, we have 14 fields currently being flooded with CO₂; nearly 835 miles of pipelines dedicated to CO₂ usage in the Gulf Coast region; 26,307 barrels of oil produced per day (“Bbbls/d”) from our CO₂ EOR operations; 6.3 Trillion Cubic Feet (“Tcf”) of proven CO₂ reserves (with several more Tcf of potential); and CO₂ purchase contracts with eight possible carbon gasification plants and letters of intent and ongoing discussions with several more plants. We are currently the largest oil and natural gas operator in Mississippi and Montana, and we own the largest reserves of CO₂ used for tertiary oil recovery east of the Mississippi River. We also hold significant operating acreage in the Rockies and Gulf Coast. As of May 7, 2010, and through 11 years of rapid growth, Denbury now employs over 1,253 full-time employees in the United States with a very low turnover rate.

In March 2010, Denbury acquired Encore Acquisition Company (“Encore”), which nearly doubled our total CO₂ EOR upside, and continues to provide potential growth and expansion opportunities. With the Encore acquisition, we have more than one billion barrels of potential recoverable oil in our inventory, which we believe will provide us almost a decade of production growth. We believe that our CO₂ EOR experience, coupled with our willingness to make significant commitments of infrastructure capital investments, gives us a competitive advantage in the oil and gas industry.

Denbury is currently headquartered at 5100 Tennyson Parkway, Suite 1200 in Plano, Texas, where we employ 358 full-time employees. As of June 1, 2010, Encore had 178 full-time employees. We are currently transitioning full-time employees from Encore to our headquarters in Plano. As part of this transition, Denbury will soon expand into a larger facility located at 5320 Legacy Drive, Suite 100 in Plano, Texas, with a lease term of twelve years. The expansion Project will provide Denbury with 323,935 square feet of new office space. After the Encore transition is

PETROLEUM EXPLORATION

Subsidiaries
Denbury Operating Company
Denbury Onshore, LLC
Denbury Marine, L.L.C.

complete, and consistent with our current Chapter 380 agreement with the Plano City Council, the number of qualified full-time employees that will be retained in the City of Plano is anticipated to exceed 400 by 12/2010. By 12/2011, the number of full-time positions is expected to meet or exceed a milestone of 525 full-time employees. The Texas Enterprise Zone Program requires a Designated Enterprise Project to retain and/or create at least 500 full-time employees during the five year designation period. As previously agreed under the Chapter 380 agreement, Denbury will exceed the 500 full-time employees required by the Texas Enterprise Zone Program, which would allow for the maximum state benefit. In addition, we will continue creating new full-time positions that will exceed this requirement in the City of Plano as our Company grows and expands into new markets.

The Project will involve an estimated capital investment in the City of Plano of over **\$33,500,000.00**. This investment will be subject to Plano's local sales and use tax at the rate of 1.0%, thus **providing the City of Plano with \$335,000.00** of fiduciary funds that will be distributed by the Texas Comptroller of Public Accounts. Capital expenditures exceeding \$20,000,000.00 will not provide additional state benefits for Denbury under the Texas Enterprise Zone Act; however, the City of Plano will benefit from the additional capital investment as noted above. Our capital investment estimate is outlined below for your reference:

<u>TAXABLE CAPITAL INVESTMENTS</u>	<u>ESTIMATE</u>
Remodeling and Relocation Costs	20,000,000.00
Architectural Fees	1,500,000.00
A/V Equipment, Security Equipment, Computers, Hardware, Software & Licenses, and Telecommunications Equipment	3,000,000.00
Additional Furniture, Fixtures and Equipment	2,500,000.00
Electricity Usage (Estimated using 2009 average electricity use per square foot (\$3.08) at current location * 323,935 square feet at new location)	5,000,000.00
Real Property Services: Building Maintenance, Janitorial Services, Grounds Cleaning and Maintenance, Landscaping, and Security. (Conservative estimate of \$300,000.00 per year).	1,500,000.00
TOTAL ESTIMATED CAPITAL INVESTMENT:	33,500,000.00

The level of capital investment described above presents Denbury with the unique opportunity to seek an Enterprise Project Designation from the State of Texas for the retention and creation of full-time jobs in Plano. Denbury expects to expand its existing level of employment, and to further retain 500 full-time jobs for benefit under the Enterprise Zone Program. Pursuant to Texas Government Code § 2303.401, the jobs will meet the definition of a "new permanent job" or "retained job" (1) because they will be created by a qualified business as required by Section 2303.402 or (2) because they currently exist, and they will provide and will continue to provide at least 1,820 hours of employment annually, and they will be employment positions for the longer of the duration of the Project's designation period or three years after the expiration date of the claim period for receipt of state benefit.

In order to pursue an Enterprise Project designation from the State of Texas for job retention benefits, Denbury respectfully requests to be nominated by the City of Plano as a Designated Enterprise Project for the September 1, 2010 Texas Enterprise Zone application round. The benefit of the Enterprise Project Designation to Denbury would be a refund of the state portion (6.25%) of sales and use taxes paid over the course of the five-year designation period, up to **\$1,250,000.00**. Since

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the refunds are for the *state* sales and use tax portion only, there is zero effect on the local sales and use tax that will be received by the City of Plano.

Section 2303.406(a)(4)(D) of the Texas Government Code allows a project or activity of a qualified business to be designated as an Enterprise Project and receive job retention benefits if the business has clearly demonstrated that "the business is able to employ individuals in accordance with Section 2303.402." Section 2303.402 of the Texas Government Code states that an Enterprise Project located outside of an Enterprise Zone must hire 35.0% economically disadvantaged persons or Enterprise Zone residents for its *new or replacement personnel* over the course of its designation period to receive the full benefit under this program. Denbury qualifies for job retention benefits under this statutory provision because Denbury is an Equal Opportunity Employer, and Denbury is capable of hiring full-time employees that meet the requirements of Texas Government Code § 2303.402.

The new Plano headquarters facility is qualified under Texas Government Code § 2303.404 to receive the Enterprise Zone Designation, because (1) it involves "an expansion, renovation, or new construction"; (2) it will be completed within a predetermined period of time not to exceed 5 years; and (3) the company utilizes a cost center based accounting system that allows for tracking of income and expenses related to its Plano operations.

Denbury supports the Plano community through various contributions and fund raising support for local activities such as the North Texas Food Bank, the Salvation Army's Angel Tree Program, and employee blood drives through Carter BloodCare. Denbury also supports surrounding communities through individual and Company contributions towards The Leukemia & Lymphoma Society's North Texas Chapter, The Dallas Scottish Rite Hospital, and The Society for the Prevention of Cruelty to Animals. Denbury is proud to be a part of the Plano community and will continue to be an active participant, contributor, and corporate citizen.

Denbury is excited about our Plano expansion, and we appreciate your consideration for nomination as a Designated Enterprise Project. We look forward to working with the City of Plano and the Texas Enterprise Zone Program in the coming years.

Sincerely,



Phil Rykhoek
Chief Executive Officer
Denbury Resources Inc.

cc: Ms. Elaine Hamm, Plano Economic Development Board
Mr. John Gilliam, City of Plano
Mr. Alan Rhoades, Denbury Resources Inc.
Mr. Jim Howard, Denbury Resources Inc.
Mr. Tony Burgess, Denbury Resources Inc.

A Resolution of the City Council of the City of Plano, Texas, nominating Denbury Onshore , LLC, to the Office of the Governor, Economic Development and Tourism through the Texas Economic Development Bank for designation as an Enterprise Project under the Texas Enterprise Zone Program pursuant to the Texas Enterprise Zone Act, Texas Government Code, Chapter 2303; and providing an effective date.

WHEREAS, on October 27, 2008, the City of Plano ("City") previously passed Ordinance No. 2008-10-22 electing to participate in the Texas Enterprise Zone Program, and the local incentives offered under this resolution are the same on this date as were outlined in Ordinance No. 2008-10-22;

WHEREAS, the Office of the Governor, Economic Development and Tourism ("OOGEDT") through the Texas Economic Development Bank ("Bank") will consider **Denbury Onshore, LLC** as an Enterprise Project pursuant to a nomination and an application made by the City;

WHEREAS, the City desires to pursue the creation of the proper economic and social environment in order to induce the investment of private resources in productive business enterprises located in the City and to provide employment to residents of enterprise zones and to other economically disadvantaged individuals;

WHEREAS, pursuant to Chapter 2303, Subchapter F of the Texas Enterprise Zone Act, Texas Government Code (the "Act"), **Denbury Onshore, LLC** has applied to the City for designation as an Enterprise Project;

WHEREAS, the City finds that, based upon representations of **Denbury Onshore, LLC**, that **Denbury Onshore, LLC** is a "qualified business" under Section 2303.402 of the Act since it will be engaged in the active conduct of a trade or business at a qualified business site within the governing body's jurisdiction located outside of an enterprise zone and at least thirty-five percent (35.0%) of the business' new employees will be residents of an enterprise zone or economically disadvantaged individuals; and

WHEREAS, the City finds that **Denbury Onshore, LLC** further meets the criteria for designation as an Enterprise Project under Chapter 2303, Subchapter F of the Act on the following grounds:

- (1) There has been and will continue to be a high level of cooperation between public, private, and neighborhood entities within the area; and
- (2) The designation of **Denbury Onshore, LLC** as an Enterprise Project will contribute significantly to the achievement of the plans of the City for development and revitalization of the area.

WHEREAS, the City finds that **Denbury Onshore, LLC** meets the criteria for tax relief and other incentives adopted by the City and nominates **Denbury Onshore, LLC** for enterprise project status on the grounds that it will be located at the qualified business site, will create a higher level of employment, economic activity and stability; and

WHEREAS, the City finds that it is in the best interest of the City to nominate **Denbury Onshore, LLC** as an Enterprise Project pursuant to the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PLANO, TEXAS that the findings of the City and its actions approving this resolution taken at the council meeting are hereby approved and adopted.

Section I: The City finds that **Denbury Onshore, LLC** is a "qualified business", as defined in Section 2303.402 of the Act, and meets the criteria for designation as an Enterprise Project, as set forth in Section 2303, Subchapter F of the Act.

Section II: The City nominates **Denbury Onshore, LLC** as an Enterprise Project.

Section III: The Enterprise Project shall take effect on September 1, 2010 and terminate on September 1, 2015.

DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF PLANO, TEXAS this 26th day of July, 2010.

Phil Dyer, MAYOR

ATTEST:

Diane Zucco, CITY SECRETARY

APPROVED AS TO FORM:

Diane C. Wetherbee, CITY ATTORNEY