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## Denbury buys Conroe field, plans EOR flood

### By OGJ editors

**HOUSTON, Dec. 3** -- Denbury Resources Inc., Dallas, plans to acquire giant Conroe oil and gas field 40 miles north of Houston from a private Houston firm and will spend an estimated \$750 million to \$1 billion on carbon dioxide enhanced oil recovery in coming years.

Consideration for a 95% working interest is \$430.7 million consisting of \$256.4 million in cash and 11.62 million share of Denbury common stock. Seller is Wapiti Energy LLC, which has spent several years consolidating interests in Conroe field. Closing is due by Dec. 18.

Denbury's preliminary estimate of potential oil recovery by CO<sub>2</sub> flooding is 125 million bbl. It estimates that the acquired interests hold 20 million boe of proved conventional reserves as of Dec. 1, nearly all of which is proved developed.

Conroe is the single largest potential tertiary flood on Denbury's list of desired Gulf Coast properties, the company said. Flooding should begin within 5 years.

Conroe field, in Montgomery County, has produced more than 750 million bbl of oil from Eocene Yegua (Cockfield) sandstones at 5,200 ft spread over 27 sq miles southeast of the city of Conroe since its discovery in 1931. Denbury will become operator of the Conroe Field Unit and hold an 80.4% net revenue interest.

Flooding the field will require laying an 80-mile pipeline to Conroe from Denbury's Green Pipeline under construction from Jackson Dome CO<sub>2</sub> field in Mississippi. The pipeline cost is included in Denbury's estimate of total project cost.

The Conroe assets are producing around 2,500 boe/d net to the interest being acquired, Denbury said.

With the incremental 350 bcf of proved CO<sub>2</sub> reserves that Denbury booked at Jackson Dome this year and the probable CO<sub>2</sub> reserves it plans to evaluate in 2010 and beyond, the company expects to have enough natural CO<sub>2</sub> reserves to flood Conroe.

Denbury is pursuing other CO<sub>2</sub> sources, particularly Gulf Coast anthropogenic sources, that could add large potential volumes to supplement the natural source. The company expects to have further clarification on CO<sub>2</sub> sources in the next 2 years.

Meanwhile, Denbury signed a binding letter of intent to sell its remaining Barnett shale assets to private Talon Oil & Gas LLC for \$210 million before closing adjustments. Talon purchased 60% of Denbury's Barnett shale

assets earlier this year. Closing is set by Dec. 31. The assets being sold averaged 4,596 boe/d in the quarter ended Sept. 30.

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