

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO**

IN THE MATTER OF THE APPLICATION)	
OF BONANZA CREEK OPERATING COMPANY, LLC)	
FOR AN ORDER DECREASING THE)	
SIZE OF DRILLING AND SPACING UNITS)	CAUSE NO. 232, 407, 493 & 499
FOR THE PRODUCTION OF OIL AND GAS)	DOCKET NO. 0502-SP-03
FROM THE DAKOTA AND "J" SANDSTONE)	
FORMATIONS, AND INCREASING THE SIZE)	
OF CERTAIN DRILLING AND SPACING UNITS)	
FOR THE CODELL AND NIOBRARA)	
FORMATIONS UNDERLYING CERTAIN)	
LANDS IN WELD COUNTY, COLORADO)	

APPLICATION

The Applicant, Bonanza Creek Operating Company, LLC ("Bonanza") by and through its undersigned counsel, respectfully petitions the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") as follows:

BACKGROUND

Existing Leasehold Interest and Wells.

1. Bonanza owns oil and gas leases covering substantially all of the oil and gas under the SW/4 of Section 31, Township 5 North, Range 63 West, 6th. P.M., Weld County, Colorado (the "SW/4" and "Section 31" respectively).
2. Patina Oil & Gas Corporation ("Patina") owns oil and gas leases covering the E/2SE/4 of Section 31.
3. Rex Monahan ("Monahan") owns oil and gas leases covering the W/2SE/4 of Section 31.
4. There are currently four (4) wells producing from the S/2 of Section 31; the Bonanza Creek Rothe #1 in the SW/4SW/4; the Patina Gunther-Alles BB31-9 in the NE/4SE; and the Patina Gunther-Alles BB16-31 in the SE/4SE/4 each produce from the Codell formation; and the Rex Monahan Gunther 15-31 in the SW/4SE/4 produces from the Codell and Niobrara formations.
5. No wells have been drilled to the Dakota or "J" Sand formations in the S/2 of Section 31. Bonanza holds valid permits for the drilling of Dakota and "J" Sand test wells in the SW/4, and to also complete those wells in the Codell and Niobrara formations.

Existing Commission Orders.

6. In Cause No. 232 by Orders No. 232-1 and 232-89, the Commission established 320-acre drilling and spacing units for the production of oil and gas from the “J” Sand formation underlying Section 31.

7. In Cause No. 499 by Orders No. 499-1 and 499-15, the Commission established 320-acre drilling and spacing units for production of oil and gas from the Dakota Formation underlying Section 31.

8. According to the records of the Commission, the S/2 and N/2 are the declared spacing units for Dakota and “J” Sand production in Section 31.

9. According to the records of the Commission, the E/2 and W/2 of the SE/4, the N/2 and S/2 of the SW/4 are the declared 80-acre spacing units for Codell and Niobrara production in the S/2 of Section 31.

10. Under Rule 318A (Greater Wattenberg Area Special Well Location Rule), up to five wells may be drilled in each governmental quarter section of Section 31, to Cretaceous formations above the base of the Dakota formation, including the Codell, Niobrara, “J” Sand and Dakota formations. Under the Policy on Staff Administrative Application of said Rule, where spacing units are less than a governmental quarter-section, an applicant may apply to the Commission to separately space a well to be drilled to the center of a quarter-section.

SPACING REQUEST

11. Colorado Revised Statute Section 34-60-116(4) authorizes the Commission to decrease or increase the size of drilling units in order to prevent or assist in preventing waste, avoid the drilling of unnecessary wells, and/or protect correlative rights.

12. Bonanza requests that the Commission enter an Order reducing the size of drilling and spacing units for the “J” Sand and Dakota formations in the S/2 of Section 31, by establishing separate 80-acre drilling and spacing units comprised of the N/2 and S/2 of the SW/4 and the E/2 and W/2 of the SE/4 of Section 31.

13. The requested 80-acre units for the Dakota and “J” Sand correspond to mineral ownership and the units upon which royalty has been paid to date on Codell and Niobrara production from the existing wells in the S/2 of Section 31.

14. Bonanza further requests that the Commission establish 160-acre drilling and spacing units for the Dakota, “J” Sand, Codell and Niobrara formations, consisting of the SW/4 and SE/4 of Section 31, for any well drilled to the center of such quarter-sections, pursuant to Commission Rule 318A(a)(2).

15. The requested 160-acre units for wells drilled to the center of a quarter section would help ensure that the current Codell/Niobrara, and requested Dakota and "J" Sand units do not preclude the drilling of a center well in each quarter section in the S/2 of Section 31.

16. By establishing and maintaining units of the same size for all Cretaceous formations, commingling of production from two or more of the four formations through a single wellbore may be done in a manner which provides for the fair and just allocation of royalties attributable to production from such various formations.

17. As testimony before the Commission has previously established, 80-acre drilling units (and with respect to a well drill to the center of a quarter section, 160-acre drilling units) are not less than the maximum area than can be efficiently, economically and effectively drained by a single well producing oil, gas and associated hydrocarbons from the Dakota, "J" Sand, Codell and Niobrara formations underlying the S/2 of said Section 31.

18. The establishment of such units will prevent or assist in preventing waste by assuring that all potential locations may be drilled without prejudice to the rights of other leasehold or mineral owners, and ensuring that the pool as a whole may be efficiently and economically developed.

19. The establishment of such units will protect the correlative rights of both leasehold owners and mineral owners.

20. The names and addresses of the interested parties, based upon Applicant's information and belief, are set forth on the annexed **Exhibit "A."**

REQUEST FOR HEARING AND ORDER

WHEREFORE, Bonanza prays that this matter be set for hearing on February 14, 2005, that Notice of said Hearing be given as required by law, that an Administrative Hearing be held if no protests are timely received, and that following such Hearing the Commission enter an Order in Causes 232, 407, 493 and 499 to:

1. Establish 80-acre drilling and spacing units comprised of the N/2 and S/2 of the SW/4, and the E/2 and W/2 of the SE/4 of Section 31, Township 5 North, Range 63 West, 6th P.M., Weld County, Colorado, for the production of oil and gas from the Dakota, and "J" Sand formations;

2. Establish 160-acre drilling and spacing units consisting of the SW/4 and SE/4 of Section 31 for any well drilled in the center of each such quarter section, as authorized by Commission Rule 318A, for the production of oil and gas from the Dakota, "J" Sand, Codell and Niobrara formations and

3. Permit multiple completion and downhole commingling of production from the Dakota, "J" Sand, Codell and Niobrara formations underlying the S/2 of Section 31.

Respectfully submitted this 27th day of December, 2004.

**LOHF SHAIMAN JACOBS HYMAN
& FEIGER, P.C.**

By _____
J. Michael Morgan, #7279
950 South Cherry Street, Suite 900
Denver, Colorado 80246
Telephone: (303) 753-9000
Facsimile: (303) 75-9997
mmorgan@lohfshaiman.com

Address of Applicant:

Bonanza Creek Operating Company LLC
4900 California Avenue, Suite 350B
Bakersfield, CA 93309

VERIFICATION

STATE OF COLORADO)
) ss
COUNTY OF WELD)

The undersigned, of lawful age, having been first sworn upon his oath, deposes and states that:

1. He is a Certified Professional Landman who maintains his office at 1610 29th Avenue Place, Suite 100, Greeley, Colorado 80634.
2. He is a consultant for the Applicant, Bonanza Creek Operating Company, LLC.
3. He has read the within application, is familiar with the facts set forth therein, and states that said facts are true and correct to the best of his knowledge and belief.

Further Affiant sayeth not.

William G. Crews

Subscribed and sworn to before me this day of December, 2004.

Witness my hand and official seal.
My commission expires:

Notary Public

EXHIBIT “A”

Interested Parties in S/2 of Section 31, Township 5 North, Range 63 West, 6th P.M.

MINERAL OWNERS

Roy & Bonnie Rothe
24334 WCR 61
Kersey, CO 80644

Julie D. Mathews
501 Karin Avenue
Lewiston, ID 83501

Centennial Valley Ranch, LLC
Attn: Ned Giles
1225 17 Street, Suite 2900
Denver, CO 80202

Christy L. Vegwert
30657 WCR 50
Kersey, CO 80544

Alan R. & Jana L. Gettman
30997 WCR 50
Kersey, CO 80544

Keyhole Ventures LLC
1212 Raintree Drive, #N273
Ft. Collins, CO 80526

Michelle Muniz
30873 WCR 50
Kersey, CO 80544

OVERRIDING ROYALTY OWNERS

Peggy A.J. Meyers
1201 23rd Avenue Court
Greeley, CO 80631

Sandra G. Sparks as Trustee of the
Sandra G. Sparks Revocable Trust
4230 Valley Crest Hill Drive
St. Louis, MO 63128

Lona J. Pettyjohn
10039 I-76 Frontage Road
Ft. Morgan, CO 80701

Donna K. Nordell
P.O. Box 337
Sedan, KS 67361

Dan L. Schwartz
7407 Blue Water Court
Ft. Collins, CO 80525

David M. Blandford
1241 Thoroughbred Road
Durango, CO 81303

LEASEHOLD INTEREST OWNERS

Bonanza Creek Operating Company, LLC
4900 California Avenue, Suite 350B
Bakersfield, CA 93309

Patina Oil & Gas Corp.
1625 Broadway, Suite 2000
Denver, CO 80202

Rex Monahan
111 South Third
P.O. Box 1231
Sterling, CO