

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

IN THE MATTER OF THE APPLICATION )  
OF BONANZA CREEK ENERGY )  
OPERATING COMPANY LLC )  
FOR AN ORDER ESTABLISHING )  
SPACING UNITS AND POOLING )  
CERTAIN INTERESTS FOR THE )  
PRODUCTION OF OIL AND GAS FROM )  
FROM THE CODELL, NIOBRARA, )  
DAKOTA AND "J" SAND FORMATIONS )  
UNDERLYING CERTAIN LANDS )  
IN WELD COUNTY, COLORADO )

CAUSE NOS. 232, 407 and 499

DOCKET NO. \_\_\_\_\_

**APPLICATION**

The Applicant, Bonanza Creek Energy Operating Company, LLC ("Bonanza Creek"), by and through its undersigned counsel, respectfully petitions the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing 160-acre spacing units for production from the Codell, Niobrara, "J" Sand and Dakota formations, and pooling all interests therein as follows:

**BACKGROUND**

1. Bonanza Creek owns oil and gas leasehold interests covering an undivided 74.5% of the mineral estate in the following described lands in Weld County, Colorado (the "Acreage"):

Township 5 North, Range 62 West, 6<sup>th</sup> P.M.  
Section 18: NW¼

Township 5 North, Range 63 West, 6<sup>th</sup> P.M.  
Section 24: W½

The sections referenced above shall be referred to herein as "Section 18" and "Section 24" respectively.

2. 70 Ranch, LLC ("70 Ranch") owns the remaining undivided 25.5% oil and gas mineral estate in the Acreage, which interest currently is unleased.

3. Commission records indicate that only one well has been drilled on the Acreage. The Monahan Farr #1 well was drilled in 1983 to the "J" Sand formation in the NE¼ NW¼ of Section 24. The well was plugged and abandoned in 2002. On information and belief, production from the well was paid on the basis of a 160-acre unit.

4. Commission records indicate that the Acreage is unspaced for the Codell, Niobrara "J" Sand and Dakota Formations. The Acreage is subject to Commission Rule 318A which

provides, among other things, that wells may be drilled to the center of each 40-acre quarter-quarter section, and to the center of each quarter section in the Acreage.

5. Bonanza Creek desires to drill the following wells in the Acreage:

<u>Well Name</u>	<u>Qtr/Qtr</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>
North Platte 11-24	NW $\frac{1}{4}$ NW $\frac{1}{4}$	24	5 North	63 West
North Platte 12-24	SW $\frac{1}{4}$ NW $\frac{1}{4}$	24	5 North	63 West
North Platte 13-24	NW $\frac{1}{4}$ SW $\frac{1}{4}$	24	5 North	63 West
North Platte 14-24	SW $\frac{1}{4}$ SW $\frac{1}{4}$	24	5 North	63 West
North Platte 21-24	NE $\frac{1}{4}$ NW $\frac{1}{4}$	24	5 North	63 West
North Platte 22-24	SE $\frac{1}{4}$ NW $\frac{1}{4}$	24	5 North	63 West
North Platte 23-24	NE $\frac{1}{4}$ SW $\frac{1}{4}$	24	5 North	63 West
North Platte 24-24	SE $\frac{1}{4}$ SW $\frac{1}{4}$	24	5 North	63 West
Antelope 21-18	NE $\frac{1}{4}$ NW $\frac{1}{4}$	18	5 North	63 West

6. Bonanza Creek desires to complete all such wells in the "J" Sand, Codell, Dakota and/or Niobrara formations.

### **SPACING REQUEST**

7. Colorado Revised Statute Section 34-60-116 authorizes the Commission to establish drilling units in order to prevent or assist in preventing waste, avoid the drilling of unnecessary wells, and/or protect correlative rights.

8. Bonanza Creek requests that the Commission establish 160-acre drilling and spacing units consisting of the NW $\frac{1}{4}$  and SW $\frac{1}{4}$  of Section 24, and the NW $\frac{1}{4}$  of Section 18, for production from the Codell, Niobrara, Dakota and "J" Sand formations.

9. The establishment of such units will prevent or assist in preventing waste by ensuring that the proposed wells may be completed and produced without prejudice to the rights of other leasehold or mineral owners, and the pool as a whole may be efficiently and economically developed.

10. 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 Codell, Niobrara, Dakota and/or J Sand formations underlying each such tract.

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

## **INVOLUNTARY POOLING REQUEST**

12. Colorado Revised Statute Section 34-60-116 authorizes the Commission to pool separately owned interests located within a drilling unit, for the development and operation of a well.

13. Bonanza Creek has sent a proposed lease and an AFE to 70 Ranch, giving it the opportunity to either lease all or part of its mineral interest in the Acreage, or participate in the drilling of the proposed wells.

14. The terms of the lease offered to 70 Ranch are no less favorable than those prevailing in the area at this time.

15. Orders of the Commission pooling all interests in the NW $\frac{1}{4}$  and SW $\frac{1}{4}$  of Section 24 and the NW $\frac{1}{4}$  of Section 18 are necessary in order to afford each owner of an interest in such Acreage the opportunity to recover and receive its just and equitable share of the oil and/or gas from the common source of supply underlying the Acreage.

16. The granting of such an Order or Orders would not be prejudicial to the owners in the Acreage and would protect correlative rights.

17. The granting of such an Order or Orders would prevent or assist in preventing waste and would insure that the pool as a whole may be efficiently and economically developed.

## **REQUEST FOR HEARING AND ORDER**

WHEREFORE, Bonanza Creek prays that this matter be set for hearing on January 15, 2008, that Notice of said Hearing be given as required by law, an administrative hearing be held if no protests are timely received, and following such hearing the Commission enter an Order or Orders to:

A. Establish 160-acre drilling and spacing units consisting of the NW $\frac{1}{4}$  and SW $\frac{1}{4}$  of Section 24 and the NW $\frac{1}{4}$  of Section 18 for production of oil and gas from the Codell, Niobrara, Dakota and "J" Sand formations, with well locations, commingling of production, and the number of additional infill wells, each being authorized and determined in accordance with Rule 318A.

B. Pooling all leasehold interests in the NW $\frac{1}{4}$  and SW $\frac{1}{4}$  of Section 24 and the NW $\frac{1}{4}$  of Section 18 with respect to production of the Codell, Niobrara, Dakota and "J" Sand formations from the wells described in paragraph 5 above, and that such pooling Order or Orders:

(1) be upon terms and conditions that are just and reasonable and that afford to the owner of each interest the opportunity to recover or receive, without unnecessary expense, his just and equitable share of oil and gas;

(2) provide that production obtained from each pooled tract be allocated to each owner therein on the basis of the proportion that the number of mineral acres held by each owner in such drilling unit bears to the total number of mineral acres within the drilling unit;

(3) provide that Bonanza Creek be allowed to recover from any non-consenting owner's share of production the penalty costs as provided in Colorado Revised Statute Section 34-60-116 (7); and

(4) require Bonanza Creek to provide each leasehold interest owners in each such tract with monthly statement of costs incurred together with the quantity of oil and gas produced and proceeds realized, pursuant to C.R.S. §34-60-116(8).

RESPECTFULLY SUBMITTED this 26<sup>th</sup> day of November, 2007.

LOHF SHAIMAN JACOBS HYMAN & FEIGER PC

By: \_\_\_\_\_

J. Michael Morgan #7279  
950 South Cherry Street, Suite 900  
Denver, Colorado 80246  
(303) 753-9000  
(303) 75-9997 (fax)  
[mmorgan@lohfshaiman.com](mailto:mmorgan@lohfshaiman.com)

Address of Applicant:

Bonanza Creek Energy Operating Company LLC  
410 17<sup>th</sup> Street, Suite 1380  
Denver, CO 80202

**EXHIBIT "A"**  
**TO APPLICATION OF BONANZA CREEK ENERGY OPERATING COMPANY LLC**

**Applicant:** Bonanza Creek Energy Operating Company LLC  
410 17th Street, Suite 1380  
Denver, CO 80202

**Applicant's Attorney:** J. Michael Morgan, Esq.  
Lohf Shaiman Jacobs Hyman & Feiger PC  
950 South Cherry Street, Suite 900  
Denver, CO 80246

**Local Government Designee:** Lee Morrison, Esq.  
Weld County Commissioner Office  
P.O. Box 758  
Greeley, CO 80634

**Interested Parties in the W $\frac{1}{2}$  NW $\frac{1}{4}$ , SE $\frac{1}{4}$  NW $\frac{1}{4}$ , and SW $\frac{1}{4}$  of Section 24,  
Township 5 North, Range 63 West**

**Leased Mineral Owners:** The Travelers Insurance Company  
P.O. Box 1100  
Edmund, Oklahoma 73083-1100  
  
Rex Monahan  
P.O. Box 1231  
Sterling, CO 80751

**Unleased Mineral Owner:** 70 Ranch, LLC  
5460 Quebec Street, #110  
Greenwood Village, Colorado 80111  
Attention: Mr. Robert A. Liembke

**Leasehold Owner:** Bonanza Creek Energy Operating Company, LLC  
410 17th Street, Suite 1380  
Denver, CO 80202

**Interested Parties in the NE $\frac{1}{4}$  NW $\frac{1}{4}$  of Section 24,  
Township 5 North, Range 63 West**

**Leased Mineral Owners:** The Travelers Insurance Company  
P.O. Box 1100  
Edmund, Oklahoma 73083-1100

Rex Monahan  
P.O. Box 1231  
Sterling, CO 80751

**Unleased Mineral Owners:**

70 Ranch, L.L.C.  
5460 Quebec Street, #110  
Greenwood Village, Colorado 80111  
Attention: Mr. Robert A. Liembke

**Leasehold Owners:**

Bonanza Creek Energy Operating Company, LLC  
252 Clayton Street, Suite 400  
Denver, CO 80206

**Interested Parties in the NW¼ of Section 18,  
Township 5 North, Range 62 West**

**Leased Mineral Owners:**

The Travelers Insurance Company  
P.O. Box 1100  
Edmund, Oklahoma 73083-1100

Rex Monahan  
P.O. Box 1231  
Sterling, CO 80751

**Unleased Mineral Owner:** 70 Ranch, LLC

5460 Quebec Street, #110  
Greenwood Village, Colorado 80111  
Attention: Mr. Robert A. Liembke

**Leasehold Owner:**

Bonanza Creek Energy Operating Company, LLC  
410 17th Street, Suite 1380  
Denver, CO 80202

## VERIFICATION

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )      **SS.**

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

1. He is Vice President-Land of the Applicant, Bonanza Creek Energy Operating Company, and that he maintains his office at 4900 California Avenue, Suite 350B, Bakersfield, California 93309.

2. 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.

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R. Michael McPhetridge

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_

Notary Public

## **CERTIFICATE OF MAILING**

I hereby certify that on the 26th day of November, 2007, a true and correct copy of the foregoing was mailed via U.S. First-Class Mail, postage prepaid, to the following:

Lee Morrison, Esq.  
Weld County Commissioner Office  
P.O. Box 758  
Greeley, CO 80634

70 Ranch, LLC  
Attention: Mr. Robert A. Liembke  
5460 Quebec Street, #110  
Greenwood Village, Colorado 80111

The Travelers Insurance Company  
P.O. Box 1100  
Edmund, Oklahoma 73083-1100

Rex Monahan  
P. O. Box 1231  
Sterling, CO 80751

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Tonja L. Hoisington, Paralegal