

**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 THE CODELL, NIOBRARA, DAKOTA)
AND "J" SAND FORMATIONS UNDERLYING)
CERTAIN LANDS IN WELD COUNTY, COLORADO)

CAUSE NO. 1

DOCKET NO. _____

APPLICATION

The Applicant, Bonanza Creek Energy Operating Company, LLC ("Applicant"), 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 40-acre spacing units for production from the Codell, Niobrara, Dakota and "J" Sand formations, and pooling all non-consenting interests therein as follows:

BACKGROUND

1. Applicant is a Delaware limited liability company authorized to do business in the State of Colorado.
2. Applicant owns oil and gas leasehold interests covering an undivided 74.5% of the mineral estate in the following described land in Weld County, Colorado (the "Application Land"):

Township 5 North, Range 62 West, 6th P.M.
Section 19: SW1/4 NW1/4, and E1/2 NW1/4
3. 70 Ranch, LLC ("70 Ranch") owns the remaining undivided 25.5% oil and gas mineral estate in the Application Land, which interest currently is un-leased.
4. Commission records indicate that no wells have been drilled on the Application Land, which are un-spaced for the Codell, Niobrara, Dakota and "J" Sand formations.
5. Commission records also indicate that the Farr 2-19 well was drilled to the Codell and Niobrara formations in the NW1/4 NW1/4 of Section 19, and by Commission Order No. 407-159, a 40-acre drilling and spacing unit composed of the NW1/4 NW1/4 was designated for such well.
6. The Application Land 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 Application Land.

7. Applicant desires to drill at least the following wells in the Application Land and complete them in the Codell, Niobrara, Dakota and "J" Sand formations:

<u>Well Name</u>	<u>Qtr/Qtr</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>
Antelope 12-19	SW1/4 NW1/4	19	5 North	62 West
Antelope 21-19	NE1/4 NW1/4	19	5 North	62 West
Antelope 22-19	SE1/4 NW1/4	19	5 North	62 West

SPACING REQUEST

8. 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.

9. Applicant requests that the Commission establish 40-acre drilling and spacing units consisting of the SW1/4 NW1/4, SE1/4 NW1/4, and NE1/4 NW1/4 of Section 19, for production from the Codell, Niobrara, Dakota and "J" Sand formations.

10. 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.

11. 40-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 the Application Land.

INVOLUNTARY POOLING REQUEST

12. Colorado Revised Statute Section 34-60-116 and Commission Rule 530 authorize the involuntary pooling of separately owned interests located within a drilling unit, for the development and operation of a well.

13. More than thirty (30) days prior to hearing on this Application, Applicant will have sent a proposed lease and an AFE to each unleased non-consenting owner within each such unit, giving it the opportunity to either lease all or part of its mineral interest in the Application Land, or participate in the drilling of one or more of the proposed wells. The Applicant has not received a response from the non-consenting unleased owner concerning the proposed lease and/or well.

14. The terms of the lease offered are reasonable, and on terms which are no less favorable than those prevailing in the area at this time, and are thereby consistent with Commission Rule 530.

15. An Order of the Commission pooling all non-consenting interests in units composed of the SW1/4 NW1/4, SE1/4 NW1/4, and NE1/4 NW1/4 of Section 19 is necessary in order to

afford each owner of an interest in such Application Land the opportunity to recover and receive its just and equitable share of the oil and/or gas from the common source of supply therein.

16. The granting of such an Order would not be prejudicial to the owners in the Application Land and would protect correlative rights. The granting of such an Order would prevent or assist in preventing waste and would ensure that the pool as a whole may be efficiently and economically developed.

17. The names and addresses of the interested parties with respect to this Application are set forth in the annexed **Exhibit A**.

REQUEST FOR HEARING AND ORDER

WHEREFORE, Applicant prays that this matter be set for hearing on July 8, 2010, that Notice of said Hearing be given as required by law, that if no protests are timely received the matter be considered pursuant to Rule 511.b, and the Commission enter an Order to:

A. Establish 40-acre drilling and spacing units consisting of the SW1/4 NW1/4, SE1/4 NW1/4, and NE1/4 NW1/4 of Section 19 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 being authorized and determined in accordance with Rule 318A.

B. Pool all interest owners in units composed of the SW1/4 NW1/4, SE1/4 NW1/4, and NE1/4 NW1/4 of Section 19 with respect to production of the Codell, Niobrara, Dakota and "J" Sand formations, who have refused to execute a lease covering their mineral interests in the Application Lands, and refused to participate in the costs of drilling the initial and future wells, and that such pooling Order:

(1) be upon terms and conditions that are just and reasonable and 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 Applicant be allowed to recover from any non-consenting owner's share of production the penalty costs as provided in C.R.S. §34-60-116 (7); and

(4) require Applicant 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 19th day of May, 2010.

LOHF SHAIMAN JACOBS HYMAN & FEIGER PC

By: _____

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

Address of Applicant:

Bonanza Creek Energy Operating Company LLC
410 17th 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: Bruce T. Barker, Esq.
Weld County Commissioner Office
P.O. Box 758
Greeley, CO 80634

Interested Parties in the SW1/4 NW1/4, SE1/4 NW1/4, and NE1/4 NW1/4
of Section 19, Township 5 North, Range 62 West

Leased Mineral Owners: The Prospect Company
P.O. Box 1100
Edmond, OK 73083

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 CALIFORNIA)
)
COUNTY OF KERN) **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.

R. Michael McPhetridge

Subscribed and sworn to before me this _____ day of May, 2010.

Witness my hand and official seal.

My commission expires: _____

Notary Public

CERTIFICATE OF MAILING

I hereby certify that on the 19th day of May, 2010, a true and correct copy of the foregoing was mailed via U.S. First-Class Mail, postage prepaid, to the following:

Bruce T. Barker, 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 Prospect Company
P.O. Box 1100
Edmond, OK 73083

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

Tonja L. Hoisington, Paralegal