

**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 A DRILLING AND SPACING)
UNIT AND ESTABLISHING WELL LOCATION)
RULES FOR THE CODELL AND NIOBRARA)
FORMATIONS IN CERTAIN DESCRIBED)
LANDS IN TOWNSHIP 5 NORTH RANGE)
63 WEST, WELD COUNTY, COLORADO)

Cause No. 407

Docket No. _____

APPLICATION

Bonanza Creek Energy Operating Company LLC ("Bonanza") by and through its attorneys, Lohf Shaiman Jacobs Hyman & Feiger PC, respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing an approximately 640-acre drilling and spacing unit and establishing well location rules applicable to the drilling and producing of a well from the Codell and/or Niobrara Formations covering certain lands in Weld County, Colorado. In support of its Application, Bonanza states as follows:

1. Bonanza is a limited liability company duly authorized to conduct business in the State of Colorado.
2. Bonanza owns leasehold interests in Section 28, Township 5 North, Range 63 West of the 6th P.M., Weld County, Colorado (the "Application Lands").
3. The Application Lands are unspaced with respect to the Codell and Niobrara formations.
4. In Order 407-125 the Commission found that the Codell and Niobrara formations constitute common sources of supply underlying the Application Lands, and authorized wells to be drilled to such formations so long as they were not less than 920 feet from an existing wellbore in the Codell and Niobrara formations..
5. Rule 318A(a)(4)(C) of the Commission requires that when a well is drilled to the Codell and/or Niobrara formation in an unspaced area of Township 5 North, Range 63 West, the operator shall designate a drilling and spacing unit not smaller than a governmental quarter-section, if the well is proposed to be located greater than four hundred sixty (460) feet from the quarter-quarter section boundary in which it is located. This Rule applies to the Application Lands.
6. Bonanza has drilled, tested and completed wells in the Codell and Niobrara Formations of the Application Lands.
7. For purposes of this Application, the Codell Formation in the Application Lands is defined as the stratigraphic equivalent of the interval between 6484 feet and 6502 feet as found in the DOW 13-28 Well located in Township 5 North, Range 63 West, Section 28: NW/4 SW/4. The Codell Formation is a common source of supply underlying the Application Lands.

8. For purposes of this Application, the Niobrara Formation in the Application Lands is defined as the stratigraphic equivalent of the interval between 6231 feet and 6484 feet as found in the DOW 13-28 Well located in Township 5 North, Range 63 West, Section 28: NW/4 SW/4. The Niobrara Formation is a common source of supply underlying the Application Lands.

9. To promote efficient drainage of the Codell and Niobrara Formations of the Application Lands, to protect correlative rights and avoid waste, the Commission should establish a drilling and spacing unit of approximately 640 acres composed of the Application Lands for drilling of an optional horizontal well.

10. Bonanza requests an order allowing it to drill and complete one horizontal well in the established 640-acre drilling and spacing unit comprised of the Application Lands. Consistent with Rule 318A(a)(4), the proposed horizontal well shall be drilled in the designated drilling and spacing unit, from a surface location with initial penetration of the Codell and Niobrara Formations and an ultimate bottom-hole location no closer than four hundred sixty (460) horizontal feet from the boundaries of such drilling and spacing unit, and not less than nine-hundred twenty (920) horizontal feet from a producing or permitted well in the Codell and/or Niobrara formation.

11. The above-proposed drilling and spacing unit will allow efficient drainage of the Codell and Niobrara Formations; will prevent waste; will not adversely affect correlative rights of any owner, and will assure the greatest ultimate recovery of oil, gas and associated hydrocarbon substances from the reservoirs.

12. A drilling and spacing unit of the size and shape specified above is not smaller than the maximum area which can be economically and efficiently drained by a single well in the Codell and Niobrara Formations in the proposed drilling and spacing unit.

13. On November 29, 2010, the Commission entered Order No. 407-380 which established fifteen (15) approximate 640-acre drilling and spacing units, including five(5) such units in Township 5 North, Range 62 West, for production from the Niobrara Formation, with no more than one (1) horizontal well to be drilled in each unit. The lands in Order No. 407-380 lie to the northeast of the Application Lands. The Applicant requests that the Commission take administrative notice of the testimony and exhibits presented by the Applicant with respect to Order No. 407-380.

14. The proposed well can be developed in a manner consistent with protection of the environment, public health, safety and welfare.

15. The names and addresses of the interested parties according to the information and belief of Bonanza are set forth in the annexed Exhibit A. The undersigned certifies that copies of this Application shall be served on each interested party within the next seven days as required by Rule 503.e.

WHEREFORE, Bonanza respectfully requests that this matter be set for hearing, that notice be given as required by law, and upon such hearing this Commission enter its order consistent with Bonanza's requests set forth above.

RESPECTFULLY SUBMITTED this 28th day of April, 2011.

LOHF SHAIMAN JACOBS HYMAN & FEIGER PC

By: _____

J. Michael Morgan #7279
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Denver, Colorado 80246
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(303) 75-9997 (fax)
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Address of Applicant:

Bonanza Creek Energy Operating Company LLC
4900 California Avenue, #350B
Bakersfield, California 93309

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

Other Interested Parties: Bonanza Creek Energy Inc.
410 17th Street, Suite 1380
Denver, CO 80202

Texas American Resources Co.
410 17th Street, Suite 1610
Denver, CO 80202

James W. Alexander, Trustee of
James W. Alexander Living Trust
85 Jeffrey Pine Lane
Carson City, NV 89705

Alexander Energy Corporation
1400 One Energy Square
Dallas, TX 75206

Noble Energy, Inc.
1625 Broadway, Suite 2200
Denver, CO 80202

Samuel T. Alcus, III
7317 West Roadway Street
New Orleans, LA 70124

TARH E&P Holdings, Inc.
98 San Jancinto Blvd., Suite 800
Austin, TX 78701

Thomas B Croke and Laura L. Croke, Joint Tenants
CFG Energy, Inc.
258 South Ulukoa Place
Lahaina, HI 96761

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 LLC, 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 27th day of April, 2011.

Witness my hand and official seal.
My commission expires: _____

Notary Public

CERTIFICATE OF MAILING

I hereby certify that on the 28^h day of April, 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

Bonanza Creek Energy Inc.
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Denver, CO 80202

Texas American Resources Co.
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Tonja L. Hoisington, Paralegal