

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE) CAUSE NO. 1V
RULES AND REGULATIONS OF THE COLORADO)
OIL AND GAS CONSERVATION COMMISSION BY) DOCKET NO. 0506-OV-04
BONANZA CREEK OIL COMPANY, WELD COUNTY, COLORADO)

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On December 19, 2003 and February 26, 2004, the Colorado Oil and Gas Conservation Commission ("COGCC") Director approved the Application For Permit-to-Drill the Bonanza Creek Oil Company Siebring #32-32 and #42-32 Wells located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ and SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 32, Township 5 North, Range 63 West, 6th P.M., respectively. COGCC Rule 317.i. (and the Form 2 conditions of approval) required "all cement shall be of adequate quality to achieve a minimum compressive strength of at least eight hundred (800) psi and shall be pumped two hundred (200) feet above the top of the shallowest known producing horizon". Review of the Siebring #32-32 and #42-32 cement bond logs by COGCC staff found only 80' and 71' of 800 psi cement, respectively, above the Niobrara Formation.

On March 8, 2005, Bonanza Creek Oil Company was issued a Notice of Alleged Violation ("NOAV") citing violation of Rule 317.i. and Form 2 Permit Conditions of Approval for failure to provide 200' of 800 psi compressive strength cement above the Niobrara Formation for the Siebring #32-32 and #42-32 Wells. The NOAV(s) required Bonanza Creek Oil Company provide documentation to verify the wellbores have 800 psi compressive strength cement 200' above the Niobrara Formation. The NOAV(s) required Bonanza Creek Oil Company respond by March 26, 2005.

On March 28, 2005, Bonanza Creek Oil Company responded to the NOAV(s) by stating "Bonanza Creek believes that it acted prudently in calculating and pumping a sufficient volume of cement to meet the requirements of both rule 317i and the Form 2 permit conditions. We also pumped an additional volume of lightweight lead cement to cover the exposed casing for corrosion protection. With the amount of cement in place on these wells, Bonanza Creek believes that there is no remediation available for the alleged violation as it will not be possible to squeeze the area in question".

Bonanza Creek Oil Company did not self-report these violations. Bonanza Creek Oil Company should be found in violation of Rule 317.i. and Form 2 Permit Conditions of Approval. Bonanza Creek Oil Company should be assessed a penalty of One Thousand dollars (\$1,000) per violation for the Siebring #32-32 and #42-32 Wells.

On March 30, 2005, COGCC staff issued an Administrative Order by Consent ("AOC") to Bonanza Creek Oil Company for the violation of Rule 317.i. and Form 2 Permit Conditions of Approval, failure by Bonanza Creek Oil Company to provide 200' of 800 psi compressive strength cement above the Niobrara Formation for the Siebring #32-32 and #42-32 Wells located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ and the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 32, Township 5 North, Range 63 West, 6th P.M. On April 5, 2005, Bonanza Creek Oil Company agreed to and accepted the AOC, including a fine of Four Thousand Dollars (\$4,000).

NOTICE IS HEREBY GIVEN, that the oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, June 6, 2005
Time: 9:00 a.m.
Place: Suite 801, The Chancery Building
1120 Lincoln Street
Denver, CO 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Angie Gipson at (303) 894-2100 ext. 113, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect

the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than May 16, 2005, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and nine (9) copies shall be filed with the Commission (Rule 503.f.). Pursuant to Rule 503.e., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules. In accordance with the practices of the Commission, should no protests or interventions be filed in this matter by May 16, 2005.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
April 29, 2005