



DEPARTMENT OF NATURAL RESOURCES

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May 30, 2012

Mr. Stephen Wolfe
Bonanza Creek Energy
410 17th Street, Suite 1380
Denver, CO 80202

RE: Latham 14-2 Onsite Inspection Conditions of Approval

Mr. Wolfe:

After review of the discussions at the May 21, 2012 LATHAM 14-2 Onsite Inspection, evaluation of the information provided by Bonanza Creek Energy (Bonanza), and consultation with the staff of the Colorado Oil and Gas Conservation Commission (COGCC), the COGCC staff attach the following Condition of Approval (COA) to the Application for Permit to Drill, Form 2 (APD) for the Latham 14-2 Wells (Form 2 document numbers 400263551 and 400261719) in the Southwest Quarter of the Southwest Quarter of Section 2, Township 4 North, Range 63 West:

1. The Operator shall collect water samples, at a minimum, from the two of the nearest water wells both prior to commencement of drilling activities and again after well completion. Samples shall be analyzed for all major cations and anions, total dissolved solids, iron and manganese, nutrients (nitrates, nitrites, selenium), dissolved methane, pH, specific conductance, and benzene, toluene, ethylbenzene, and xylenes ("BTEX"). Sampling shall be performed by qualified individuals using methods consistent with commonly accepted environmental sampling procedures. Field observations such as pH, temperature, specific conductance, odor, water color, sediment, bubbles, and effervescence shall also be included. If free gas or a methane concentration level greater than 1 mg/l is detected in a water quality testing well, gas compositional analysis, and stable isotopes of both the carbon and hydrogen isotopes of methane shall be performed to determine gas type (thermogenic, biogenic or a mixture). Documented compliance with the Colorado Oil and Gas Association (COGA) Voluntary Sampling Program shall be deemed sufficient to satisfy this COA.

COGCC does not believe the other major issues discussed at the onsite inspection warrant COAs on the APD.

1. Access Road: The Operator has agreed to plan the access road to accommodate the landowners desire to minimize surface impacts.
2. Timing of Operations: Assuming prompt approval of the APDs, drilling and completion activities should be completed well in advance of the desired termination date of August 30.

3. Visual Mitigation: Given the lack of occupied structures within reasonable proximity to the proposed location, COGCC does not believe additional visual mitigation beyond those required by COGCC Rules is warranted.

Please note that Conditions of Approval regarding engineering or other considerations may also apply. These will be specified on the approved Application for Permit to Drill, Form 2. If you have any questions, please contact me at the COGCC in Denver via e-mail (steven.lindblom@state.co.us) or by phone at 303-894-2100, extension 5114.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Steve Lindblom', with a long horizontal flourish extending to the right.

Steven R. Lindblom, P.G.
Environmental Supervisor – Eastern Colorado

cc: Brad Petersen – TH Ranch
Jared Rush – Bonanza Creek Energy
Jane Stanczyk – COGCC
Thom Kerr - COGCC
Greg Deranleau – COGCC