



COLORADO
State Land Board
Department of Natural Resources

VIA EMAIL DELIVERY

October 5, 2016

Bonanza Creek Energy Operating Company, LLC
410 17th St.
Denver, CO 80202

**RE: Surface Use Agreement
SW¼SW¼ Sec. 2-T5N-R62W
Weld County, Colorado**

Melissa:

Please accept this Letter Agreement, effective on **October 5, 2016 ("Effective Date")**, as evidence of the State Land Board's preliminary approval of a Surface Use Agreement located in the above described lands.

Bonanza Creek Energy Operating Company, LLC. ("Bonanza") is currently the Lessee of Record in oil and gas lease No. 8029.04 (the "Lease") covering Lots 1-4, S2N2, S2 (All) of Section 2, Township 5 North, Range 62 West, in Weld County, Colorado. Currently a well pad exists in the SW¼SW¼ of Section 2 ("subject site") for the State Antelope D14-X44-2HNC, State Antelope 14-44-2HNC, and State Antelope D-X-2HNC wells, which are producing 100% state owned minerals. Bonanza has informed the State Land Board of their intent to add five additional wells to the pad; and the wells will be producing both state and non-state owned minerals. Since production from the pad will produce both state and non-state owned minerals, a Surface Use Agreement will need to be obtained.

At this time, Bonanza has requested a Surface Use Agreement from the State Land Board, but they have requested for payment to be made at a later date prior to drilling operations. After reviewing adjacent ownership, drilling obligations in the area, and Bonanza's drilling plans, the State Land Board is hereby granting approval of a Surface Use Agreement with Bonanza for the subject site if the following terms are met:

- [REDACTED] of the Initial Damage Payment for the Operations Area will be paid by Bonanza up front totaling [REDACTED].



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- Annual payments of [REDACTED] will be due on each anniversary date of the Effective Date of this Letter Agreement.
- This Letter Agreement shall be for a Term of three years and if the additional proposed wells are not drilled by October 5, 2019, and a formal Surface Use Agreement has not been paid for and put into place, this Letter Agreement will expire and the State Land Board's approval of a Surface Use Agreement on the subject site will cease.
- Prior to additional drilling operations Bonanza must contact the State Land Board to obtain the official Surface Use Agreement form, to be signed by both parties, and will pay the State Land Board the remaining initial damage payment for the Operations Area totaling \$ [REDACTED], and the initial damage payment for the Access Corridor totaling \$ [REDACTED].
- Depending the percentage of State Land Board Minerals being drilled, well Payments of \$ [REDACTED] or \$ [REDACTED] per each additional well drilled on the pad will be due per the terms of the finalized Surface Use Agreement.
- The initial payments herein described may change if the surface damage acreage provided for herein changes.
- Should the State Land Board adopt a new Surface Use Agreement Bonanza will be subject to the new form, which could ultimately change the rates provided herein.

If the terms and conditions set forth above meet your approval, please sign this Letter Agreement in the space provided below and return a signed copy with the initial [REDACTED], down payment to my attention. Bonanza's signature represents that they will comply with the terms stated herein and obtain the appropriate Surface Use Agreement prior to additional drilling operations. Please do not hesitate to contact me at (303) 866-3454 ext. 3321 or via email at christel.koranda@state.co.us if I can of any further assistance.

Sincerely,

COLORADO STATE LAND BOARD

Christel Koranda

Christel Koranda
Oil and Gas Leasing Manager



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Signature Page to Follow
LETTER AGREEMENT SIGNATURE PAGE

Attached and Incorporated to Bonanza Creek Energy Operating Company, LLC and the Colorado State Land Board Letter Agreement Effective October 5, 2016.

AGREED TO AND ACCEPTED THIS 5th DAY OF October, 2016.

BONANZA CREEK ENERGY OPERATING COMPANY, LLC

By: [Signature]

Printed Name: Tyson Johnston *MM 11/6/16*

Title: Attorney-in-Fact

AGREED TO AND ACCEPTED THIS 7th DAY OF November, 2016.

COLORADO STATE LAND BOARD

By: [Signature]

Name: Christel Koranda

Title: Oil and Gas Leasing Manager



410 17th Street, Suite 1400
Denver, CO 80202
(720) 440-6100 phone
(720) 305-0804 fax

bonanzacrk.com

September 28, 2016

State Board of Land Commissioners
Denver Office
Attn: Steve Freese
1127 Sherman Street, Suite 300
Denver, Colorado 80203

Re: Consult Request
State Antelope 14-2 Pad, 5N-62W-2

Dear Mr. Freese,

Bonanza Creek Energy, Inc. (Bonanza) would like to request a consult of the above referenced well pad at your earliest convenience.

Bonanza intends to drill four (5) horizontal wells on the State Antelope 31-11 Pad in 5N-62W-2 SW/4SW/4. The wells Bonanza intends to drill are the State Antelope A-11-14XRLNB, State Antelope 11-11-14XRLNB, State Antelope F11-11-14XRLNB, State Antelope F21-11-14XRLNB & State Antelope E-Y-2HNB. The proposed pad to be built and the proposed wells to be drilled are done so in accordance with the lease rights granted by the State of Colorado. Bonanza understands that a Surface Use Agreement may be required prior to any off lease production.

Upon review of oil and gas lease no. OG 8039.4, Bonanza has determined that there are no additional stipulations associated with the mentioned lease. However, Bonanza intends to accommodate any timing or locations issues that may affect its drilling operations.

Enclosed please find the surveyed plats for the 14-2 Pad in Section 2, 5N-62W. Please let us know if you would like to set up a consult to view the pad site. Should you find the location satisfactory and approve the location and wells to be drilled, please sign and return the attached acknowledgement. If you have any questions, please do not hesitate to call or email me.

Sincerely,
Bonanza Creek Energy, Inc.

Melissa Mayer
Operations Landman II, RPL
720-440-6128
mmayer@bonanzacrk.com

I hereby acknowledge receipt of the surveyed plats for Bonanza's State Antelope 14-2 Pad in Section 2, 5N-62W. I find the location to be satisfactory and approve of the wells to be drilled.

Steve Freese

By:  _____

Date: 11/7/16