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December 15, 2020

Julie Murphy, Director  
Colorado Oil and Gas Conservation Commission  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

Re: 502.b. Request for Variance to COGCC Rule 1003.b. – Commencement of Interim Reclamation Seventy Holes J-5 Pad, Location ID 462929  
SWSW of Section 5, Township 4 North, Range 62 West, 6th P.M., Weld County, Colorado  
Form 4 Doc# 402534835

Dear Director Murphy:

Bonanza Creek Energy Operating Company, LLC (“Bonanza Creek”) respectfully submits this Rule 502.b. request for a variance to Rule 1003.b. for interim reclamation at the Seventy Holes J-5 Pad Pad, Location ID 462929 (the “Seventy Holes J-5 Pad”). Due to circumstances unforeseen to Bonanza Creek, as more fully described herein, Drilling and commencement of operations at the Seventy Holes J-5 Pad were unexpectedly delayed and an extension of the Rule 1003.b. interim reclamation requirements is necessary. Please find attached the following information in support of this request: Surface Owner Interim Reclamation Agreement affirming the surface owner’s waiver of interim reclamation under Rule 1003.b.; including the delayed commencement of operations at the Seventy Holes J-5 Pad; a plat of the Seventy Holes J-5 Pad; the approved Form 2A for the Seventy Holes J-5 Pad; cost estimate worksheet with estimated third-party cost of interim reclamation; and an executed COGCC Operator Rule 1003 Tolling Agreement. As further explained herein, Bonanza Creek states that the requested variance will not violate the basic intent of the Oil and Gas Conservation Act, including but not limited to the protection of public health, safety, welfare and the environment.

### **Length of Requested Extension**

Bonanza Creek requests an extension up to and including February 1, 2025, to commence interim reclamation, if necessary as explained below, under Rule 1003.b. at the Seventy Holes J-5 Pad.

### **Surface Owner’s Written Consent**

Enclosed herewith is a copy of the Interim Reclamation Agreement dated November 19, 2020, between Bonanza Creek and 70 Ranch, LLC (“70 Ranch”), wherein 70 Ranch confirmed that, pursuant to the parties’ April 30, 2013 Surface Use Agreement and subsequently amended (“SUA”), reclamation standards have been set forth.

### **Operational Reasons for Delayed Interim Reclamation**

On March 3, 2019, the Commission approved a Form 2A Oil and Gas Location Assessment for the Seventy Holes J-5 Pad (Location ID 462929). On or about February 21, 2020 Bonanza Creek commenced construction activities of the Seventy Holes J-5 Pad, with the intent and design to drill from and place production equipment on the pad to service the wells.

The Seventy Holes J-5 Pad is currently constructed, stormwater management in place, fenced and is ready for drilling operations and to accept equipment installation. Bonanza Creek intended to drill, equip and complete the Seventy Holes J-5 Pad starting in late 2020 with continued operations through late 2021. Those planned operations were, however, unexpectedly derailed by the historic crash in commodity prices due to the COVID-19 pandemic and protocols which decimated demand and significantly hampered Bonanza Creek's ability to make a good faith effort to drill and then complete. As commodity prices and demand continues to fluctuate; COVID-19 protocols have slightly relaxed, Bonanza Creek is conservatively monitoring its' fiscal ability to fund large capital expenditure projects such as securing a drilling rig, completion operations, associated equipment for production and plan for construction to set equipment.

This plan of deferred operations is supported and compliance consistent with the terms of the 70 Ranch Surface Use Agreement and desire to leave the location in its current state. As stated within the enclosed Interim Reclamation Agreement, 70 Ranch utilizes their adjacent surface property primarily for ranching, agriculture, and water operations, which continue throughout the year.

Moreover, requiring interim reclamation will cause unnecessary surface impacts to 70 Ranch and additional burdened costs to Bonanza Creek and its working interest partners. First, 70 Ranch has agreed to defer interim reclamation at the Seventy Holes J-5 Pad as necessary up to and after the pad is placed in operation consistent with the terms of the SUA. Second, interim reclamation would require Bonanza to remove functioning BMP's, fencing, recontour, de-compact, and revegetate the area only to clear the vegetation, re-contour, re-compact, re-install functioning BMP's and fencing of the area again upon completion and established operations of the wells. This would significantly increase the level of truck traffic, noise, dust, refuse generation and other environmental and wildlife impacts associated with such work.

### **Schedule of Planned Operations During Extension**

Bonanza Creek intends to maintain full compliance pursuant to the parties' April 30, 2013 Surface Use Agreement, and in regards to the COGCC Rules 1002.f., 1003.a., and 1003.f upon approval of this variance request. Bonanza Creek therefore asks for variance to Rule 1003.b. up to February 1, 2025, to place the Seventy Holes J-5 Pad in operation and perform any interim reclamation, not otherwise waived by or inconsistent with the Surface Use Agreement.

### **Current Compliance with Rules 1002.f., 1003.a., and 1003.f**

Bonanza Creek states that the Seventy Holes J-5 Pad is in compliance with Commission Rules including Rules 1002.f., 1003.a., and 1003.f. and in compliance with the Oil and Gas Conservation Act including the protection of public health, safety and welfare and the environment:

1. All stormwater management BMPs to minimize erosion, transport of sediment offsite, and site degradation are in place and operational at the location.
2. Erosion control blankets and wattles installed and functioning as intended.
3. Perimeter fencing installed to control access.
4. The location is free of all debris and waste materials and the site is being maintained in accordance with Rule 603.j.
5. The location is free of noxious weeds as practicable and weed control is regularly performed.

### **Estimated Cost to Perform Interim Reclamation**

Bonanza Creek has obtained an estimate from a third-party contractor for the cost of performing interim reclamation at the Seventy Holes J-5 Pad. Estimated cost is \$56,774.75 as reflected on the enclosed cost estimator worksheet. Should the Director not grant this extension, Bonanza Creek and the locations Working Interest Partners will be forced to incur this cost. This would also be inconsistent with the Parties' intention of the Surface Use Agreement and 70 Ranch's desire to keep the location open.

### **COGCC Operator Rule 1003 Tolling Agreement**

Enclosed herewith is an executed COGCC Operator Rule 1003 Tolling Agreement. Bonanza Creek understands that pursuant to such Tolling Agreement, all rule violations and penalties associated with the delay in placing the Seventy Holes J-5 Pad in operation including performing any interim reclamation during such delay are tolled beginning February 1, 2021, up to February 1, 2025, pending Bonanza Creek's performance of its obligations pursuant to this requested variance.

Please contact me at 720-225-6696 or [spark@bonanzacrk.com](mailto:spark@bonanzacrk.com) with any questions or if any additional information is needed to approve this requested variance.

Respectfully,



Scott Park  
Director EHS & RC  
Bonanza Creek Energy Operating Company LLC

Enclosures (5)