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February 5, 2021

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
State Antelope 43-13 Pad, Location ID #466172
SENE of Section 13, Township 5 North, Range 62 West, 6th P.M., Weld County, Colorado
Form 4 Doc# 402592510

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 State Antelope 43-13 Pad, Location ID #433511 (the “State Antelope 43-13”). Due to circumstances unforeseen to Bonanza Creek, as more fully described herein, Drilling and commencement of operations at the State Antelope 43-13 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 State Antelope 43-13; a plat of the State Antelope 43-13; the approved Form 2A for the State Antelope 43-13; 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 December 1, 2021, to commence interim reclamation, if necessary as explained below, under Rule 1003.b. at the State Antelope 43-13.

Surface Owner’s Written Consent

Enclosed herewith is a copy of the Interim Reclamation Agreement dated November 19, 2020, between Bonanza Creek and Colorado State Board of Land Commissioners (“State Land Board”), wherein the State Land Board confirmed that, pursuant to the parties’ Oil and Gas Lease and SLB Location Consult approved 2/26/2019 (“Agreements”), reclamation standards have been set forth.

Operational Reasons for Delayed Interim Reclamation

On July 20, 2019, the Commission approved a Form 2A Oil and Gas Location Assessment for the State Antelope 43-13 Pad (Location ID #466172). On or about December 1, 2019 Bonanza Creek commenced construction activities of the State Antelope 43-13, with the intent and design to drill from and place production equipment on the pad to service the wells.

The State Antelope 43-13 is currently constructed, drilled, stormwater management in place, fenced and is ready for well completion operations and to accept equipment installation. Bonanza Creek intended to equip and complete the State Antelope 43-13 starting in mid-2020 with continued operations through late-2020. 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 State Land Boards Agreements and desire to leave the location in its current state. As stated within the enclosed Interim Reclamation Agreement, State Land Board utilizes their adjacent surface property primarily for ranching operations, which continue throughout the year.

Moreover, requiring interim reclamation will cause unnecessary surface impacts to State Land Board and additional burdened costs to Bonanza Creek and its working interest partners. First, State Land Board has agreed to defer interim reclamation at the State Antelope 43-13 as necessary up to and after the pad is placed in operation consistent with the terms of the AGREEMENTS. 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' Agreements, 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 December 1, 2021, to place the State Antelope 43-13 Pad in operation and perform any interim reclamation, not otherwise waived by or inconsistent with the Agreements.

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

Bonanza Creek states that the State Antelope 43-13 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 State Antelope 43-13. Estimated cost is \$171,431.17 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 Agreements and State Land Board'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 State Antelope 43-13 in operation including performing any interim reclamation during such delay are tolled beginning December 1, 2020, up to December 1, 2021, pending Bonanza Creek's performance of its obligations pursuant to this requested variance.

Please contact me at 720-225-6696 or 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)