

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

| | | |
|--|---|----------------------------------|
| IN THE MATTER OF THE APPLICATION OF BONANZA |) | |
| CREEK ENERGY OPERATING CO., LLC, FOR AN ORDER |) | CAUSE NO. 407 |
| POOLING ALL INTERESTS WITHIN TWO |) | |
| APPROXIMATE 320-ACRE RULE 318A. HORIZONTAL |) | DOCKET NO. <i>To be assigned</i> |
| WELLBORE SPACING UNITS ESTABLISHED FOR W½ |) | |
| W½ OF SECTION 26 AND E½ E½ OF SECTION 27, |) | TYPE: Pooling |
| TOWNSHIP 5 NORTH, RANGE 63 WEST, 6 TH P.M., FOR |) | |
| DEVELOPMENT AND OPERATION OF THE NIOBRARA |) | |
| FORMATION, AND AUTHORIZING COST RECOVERY |) | |
| AND RISK PENALTIES FROM CERTAIN |) | |
| NONCONSENTING OWNERS FOR CERTAIN WELLS TO |) | |
| BE DRILLED WITHIN THE UNITS, WATTENBERG |) | |
| FIELD, WELD COUNTY, COLORADO |) | |

APPLICATION

Bonanza Creek Energy Operating Co., LLC (“Bonanza Creek” or “Applicant”), Operator #8960, by and through its below-signed attorneys, The Shanor Group LLC, respectfully submits this application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission” or “COGCC”) for an order pooling all interests within two approximate 320-acre Rule 318A. horizontal wellbore spacing units established for the W½ W½ of Section 26 and E½ E½ of Section 27, Township 5 North, Range 63 West, 6th P.M., for development and operation of the Niobrara Formation, and authorizing cost recovery and statutory risk penalties from certain nonconsenting owners for certain authorized horizontal wells to be constructed within said units. In support of this Application (“Application”), Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado and has registered as an operator with the COGCC.
2. Applicant owns substantial leasehold interests in the below-listed lands (“Application Lands”):

Township 5 North, Range 63 West, 6th P.M.
Section 26: W½ W½
Section 27: E½ E½

An Application Map depicting the Application Lands is attached hereto and marked Exhibit A.

3. On April 27, 1988, the Commission adopted Rule 318A. which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all Cretaceous Age Formations from the base of the Dakota Formation to the surface. Rule 318A. supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of Greater Wattenberg Area wells. On December 5, 2005, Rule 318A. was amended, among other things, to allow interior infill and boundary wells to be drilled and wellbore spacing

units to be established. On August 8, 2011, Rule 318A. was again amended, among other things, to address drilling of horizontal wells. The Application Lands are subject to Rule 318A. for the Niobrara Formation.

4. Acting pursuant to notice requirements found in Rule 318A.e.(5), Bonanza Creek established two approximate 320-acre horizontal wellbore spacing units (defined by Rule 318A.a.(4)D.) for the Application Lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. Following the establishment of the units, Cub Creek submitted two Applications for Permit-to-Drill (one horizontal well per unit), which were subsequently approved by the Director and described in the table below (the “State North Platte Wells”):

| <i>Well Name / Number</i> | <i>API Number</i> | <i>Target Formation</i> |
|----------------------------------|-------------------|-------------------------|
| State North Platte A-E-26HNB | 05-123-44485 | Niobrara |
| State North Platte A11-E14-26HNC | 05-123-44486 | Niobrara |

5. Acting pursuant to relevant provisions of §34-60-116(6), C.R.S., Applicant seeks an order pooling all interests in the two approximate 320-acre Rule 318A. horizontal wellbore spacing units established for the Application Lands, for the development and operation of the Niobrara Formation.

6. Rule 530. provides that an application for involuntary pooling may be filed at any time prior or after the drilling of a well, with any pooling order retroactive to the date the application is filed with the Commission unless the payor agrees otherwise. Bonanza Creek will provide Rule 530. well proposal materials to putative nonconsenting owners within the two approximate 320-acre horizontal wellbore spacing units established for the Application Lands, thereby allowing those owners at least 35 days to make an election as to their participation in the drilling of the State North Platte Wells, or leasing their interests, if unleased.

7. Acting pursuant to §34-60-116(6) & (7), C.R.S., and Rule 530., Applicant hereby seeks an order authorizing cost recovery and statutory risk penalties associated with the drilling, completion and operation of the State North Platte Wells, from interests belonging to those nonconsenting owners, for the development and operation of the Niobrara Formation.

8. The granting of this Application is in accord with the Oil and Gas Conservation Act found at §34-60-101, *et seq.*, C.R.S., and the COGCC rules.

9. Applicant requests that relief granted as result of this Application should be effective on oral order by the Commission, and Applicant hereby agrees to be bound by the oral order of the Commission.

10. That the names and addresses of interested parties (those persons who own any interest in the mineral estate of the tracts to be pooled, except owners of overriding royalty interest) according to the information and belief of the Applicant will be set forth in Exhibit B and submitted with a certificate of service for the Application within seven days as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests this matter be set for hearing, notice be given as required by law, and that upon such hearing the Commission enter its order:

A. Pooling all interests in the two approximate 320-acre horizontal wellbore spacing units established for the Application Lands, for development and operation of the Niobrara Formation, with the pooling order effective as of the date of the Application.

B. Providing that the interests of any owners, with whom the Applicant has been unable to secure a lease or other agreement to participate in the drilling of the State North Platte Wells, for production of oil, gas and associated hydrocarbons from the Niobrara Formation, having been pooled by operation of statute, pursuant to §34-60-116(6) & (7), C.R.S., are made subject to cost recovery and risk penalties provided therein.

C. For such other findings and orders as the Commission may deem proper or advisable given the premises.

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EXHIBIT B

INTERESTED PARTIES

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