IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
BONANZA CREEK ENERGY, INC., *et al.*,	)	Case No. 17-_____ (___)
Debtors.[1]	)	Joint Administration Requested

DECLARATION OF SCOTT FENOGLIO IN SUPPORT OF DEBTORS' CHAPTER 11 PROCEEDINGS AND FIRST DAY PLEADINGS

Scott Fenoglio declares and says:

1. I am Senior Vice President, Finance and Planning and Principal Financial Officer of Bonanza Creek Energy, Inc. ("**Bonanza**"). I have been employed by Bonanza since March 2014, first as Director of Planning and then, from May 2015 to October 2016, as Vice President, Planning. Prior to joining Bonanza, I served in roles of increasing responsibility at Noble Energy, Inc. from 2006 to 2014, culminating in the role of Senior Finance Manager for the U.S. Onshore Division. At Noble Energy, Inc., I led the teams responsible for the development of all budgets and forecasts related to U.S. onshore exploration and production activities and was a member of the DJ Basin leadership team. I have over 20 years of experience working in the energy and financial services industries. I hold a Bachelor of Arts in Finance from the University of Illinois, Urbana-Champaign and I am a CFA charterholder. I am familiar with the day-to-day operations, business and financial affairs of the Debtors (as defined below).

[1] The debtors and debtors in possession in these cases and the last four digits of their respective Employer Identification Numbers are: Bonanza Creek Energy, Inc. (0631), Bonanza Creek Energy Operating Company, LLC (0537), Bonanza Creek Energy Resources, LLC (6378), Holmes Eastern Company, LLC (5456), Rocky Mountain Infrastructure, LLC (6659), Bonanza Creek Energy Upstream LLC (6378) and Bonanza Creek Energy Midstream, LLC (6378).

2. I submit this declaration (i) in support of the petitions of the Debtors for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"), (ii) in support of the Debtors' petitions and contemporaneously-filed requests for relief in the form of motions and applications (collectively, the "**First Day Motions**") and (iii) to assist the Court and other interested parties in understanding the circumstances giving rise to the commencement of these chapter 11 cases. I have reviewed the First Day Motions or have otherwise had their contents explained to me, and it is my belief that the relief sought therein on an expedited basis is essential to the uninterrupted operation of the Debtors' business and to the Debtors' reorganization.

3. Except as otherwise indicated, all facts set forth in this declaration (this "**Declaration**") are based upon my personal knowledge, my review of relevant documents, information provided to me by employees working under my supervision, or my opinion based upon experience, knowledge and information concerning the operations of the Debtors and the oil and gas industry as a whole. If called upon to testify, I would testify competently to the facts set forth in this Declaration. Unless otherwise indicated, the financial information contained herein is unaudited and provided on a consolidated basis.

Commencement of Prepackaged Bankruptcy Proceedings

4. On January 4, 2017, (the "**Petition Date**"), Bonanza Creek Energy, Inc. ("**Bonanza**" or the "**Company**") and its six direct and indirect subsidiaries that are debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "**Debtors**"), each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors intend to continue in the possession of their respective properties and the management of their

respective businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

5. The Company commenced these chapter 11 cases to implement negotiated and comprehensive restructuring transactions (the "**Restructuring**") that will provide it with the deleveraging, and additional capital, it needs to help position it to withstand an extended market downturn and take advantage of potential growth opportunities in the future. The Restructuring increases the Company's competitive position with significant improvements in crude oil purchase commitments, a comprehensive elimination of more than $850 million in unsecured balance sheet principal, accrued interest and prepayment premiums, and a concurrent injection of $200 million in equity to fund the Company's go-forward development plan. The Restructuring represents the culmination of countless hours of hard work from various parties to resolve legacy encumbrances that restricted the Company's access to liquidity and constrained asset development.

6. Under the terms of the Restructuring that are set forth in detail in the *Debtors' Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (the "**Prepackaged Plan**"), Bonanza will meaningfully delever its balance sheet by equitizing and substantially bolstering its post-emergence liquidity position. The terms of the Restructuring were negotiated hand-in-hand with the Debtors' key stakeholders. Pursuant to the Restructuring Support Agreement, dated December 23, 2016 (as amended from time to time and including all exhibits thereto, the "**RSA**"), the holders (the "**Supporting Noteholders**") of approximately 51% in aggregate principal amount of the 6.75% Senior Notes and the 5.75% Senior Notes (as each is defined below) have agreed, subject to the terms and conditions of the RSA and Prepackaged Plan, to vote in favor of the Prepackaged Plan and equitize more than $850 million

in unsecured bond obligations. Further, certain of the Supporting Noteholders have agreed to facilitate the Debtors' emergence from chapter 11 by backstopping a $200 million rights offering of new common stock. In addition, NGL Crude Logistics, LLC – one of the Debtors existing crude oil purchase agreement counterparties – and its parent, NGL Energy Partners LP (collectively, "**NGL**"), agreed, pursuant to the RSA, to support the Restructuring and enter into a new crude oil purchase agreement with the Debtors on terms consistent with those set forth on Exhibit C to the RSA. Moreover, Bonanza actively engaged with its prepetition secured RBL Lenders (as defined below) throughout the Restructuring negotiations and will continue to work with such RBL Lenders to attempt to reach a consensual resolution with respect to the treatment of the debt arising under the RBL Facility (as defined below) and the terms of a new RBL facility to be entered into by the Company upon emergence.

7. Like many of its peers in the oil and gas industry, the Company suffered from the dramatic and persistent drop in oil and natural gas prices that began in 2014. Oil and gas companies like Bonanza, whose revenues fluctuate depending on the price of oil and natural gas, continue to face difficult headwinds from the ongoing, prolonged downturn in commodity prices. As a result, Bonanza, like many of its peers, is seeking to restructure its obligations to ensure its long-term survival and competitiveness.

8. To reap the full benefits of the Restructuring, the Debtors are seeking to proceed through their chapter 11 cases expeditiously. As such, the Debtors have proposed the following timetable for the Restructuring:

Event	Deadline
Voting Record Date	December 20, 2016
Commencement of Solicitation	December 23, 2016
Equity Release Consent Notice Distribution Date	December 23, 2016
Petition Date	January 4, 2017

Mailing of Combined Notice	January 6, 2017
Plan Supplement Filing Deadline	January 18, 2017
Plan Voting Deadline	January 23, 2017 at 6:00 p.m. (Prevailing Eastern Time)
Opt-Out Deadline	January 23, 2017 at 6:00 p.m. (Prevailing Eastern Time)
Objection Deadline	February 3, 2017 at 4:00 p.m. (Prevailing Eastern Time)
Reply Deadline (if any)	February 7, 2017 at 12:00 p.m. (Prevailing Eastern Time)
Combined Hearing	February 8, 2017 at 10:00 a.m. (Prevailing Eastern Time)

9. The Debtors began soliciting votes on the Prepackaged Plan before the Petition Date. On December 23, 2016, the Debtors served the *Disclosure Statement for Debtors' Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (the "**Disclosure Statement**") pursuant to sections 1125(g) and 1126(b) of the Bankruptcy Code on holders of impaired claims entitled to vote and have requested the voting creditors to submit their ballots after the Petition Date, by the voting deadline of January 23, 2017, at 6:00 p.m. (Prevailing Eastern Time). The Debtors expect that the votes tabulated and received from the voting creditors will, consistent with the RSA, support confirmation of the Prepackaged Plan.

10. Section I of this Declaration describes the Debtors' businesses; Sections II and III describe the Debtors' prepetition restructuring initiatives and the circumstances giving rise to the commencement of these chapter 11 cases; and Section IV sets forth the relevant facts in support of the First Day Motions.

I.

The Debtors' Business

A. Operations

11. Bonanza is an independent oil and natural gas company engaged in the acquisition, exploration, development and production of oil and associated liquids-rich natural

gas in the United States. Bonanza was incorporated in Delaware on December 2, 2010 and went public in December 2011. Bonanza was first listed on the New York Stock Exchange ("**NYSE**") on December 15, 2011. Shares of common stock of Bonanza are traded on the NYSE under the symbol "BCEI." Bonanza wholly owns six direct and indirect subsidiaries, which are (i) Bonanza Creek Energy Operating Company, LLC ("**BCEOC**"), (ii) Bonanza Creek Energy Resources, LLC, (iii) Holmes Eastern Company, LLC (f/k/a Bonanza Creek Resources Company, LLC), (iv) Rocky Mountain Infrastructure, LLC, (v) Bonanza Creek Energy Upstream LLC and (vi) Bonanza Creek Energy Midstream, LLC. Each of Bonanza's subsidiaries is a limited liability company formed in Delaware.

12. Bonanza's principal business is the extraction and production of crude oil and natural gas products. These products are sold either directly to customers or to delivery points of transportation pipelines pursuant to two crude oil purchase agreements. Four of the Company's customers (Kaiser-Silo Energy Company, Lion Oil Trading and Transportation, Inc., Plains Marketing LP and Duke Energy Field Services) accounted for more than two-thirds of the Company's revenue in 2015. Debtor Rocky Mountain Infrastructure, LLC, houses the Company's gas gathering and midstream facility assets in the Rocky Mountain Region (as defined below).

13. Bonanza employs a variety of techniques to access owned reserves of oil and natural gas, including drilling standard reach lateral wells, medium reach lateral wells and extended reach lateral wells. Unlike vertical wells, horizontal or lateral wells are engineered to access a large area of the productive reservoir so as to maximize recovery efficiencies. Bonanza uses hydraulic fracturing as a means to maximize production of oil and gas formations having

low permeability where natural flow is restricted. Typical hydraulic fracturing treatments are made up of water, sand and a small amount of chemical additives.

14. Bonanza's assets and operations are concentrated primarily in northern Colorado (the "**Rocky Mountain Region**"), including in (i) the Wattenberg Field, focused on the Niobrara and Codell formations, and (ii) the North Park Basin in Jackson County, Colorado. In addition, Bonanza owns and operates oil-producing assets in southern Arkansas, which we refer to as the mid-continent region (the "**Mid-Con**"), including assets located in the Dorcheat Macedonia Field and the McKamie Patton Field.

15. As of December 31, 2015, Bonanza's estimated proved reserves in the Rocky Mountain Region were approximately 80,164 MBoe,[2] which represented approximately 79% of Bonanza's total estimated proved reserves and contributed 81% of the Company's sales volumes during 2015. The Company's assets in the Wattenberg Field contain the lion's share of the Company's estimated proved reserves in the Rocky Mountain Region. As of December 31, 2015, Bonanza had a total of approximately 620 gross producing wells located in the Wattenberg Field, of which 401 were horizontal wells. In the North Park Basin, the Company controls approximately 19,000 gross (15,000 net) acres, all of which are prospective for crude oil production. During 2015, there were no wells drilled in the North Park Basin.

(a) In southern Arkansas, the Company's production strategy involves targeting the oil-rich Cotton Valley sands. As of December 31, 2015, Bonanza's estimated proved reserves in the Mid-Con Region were approximately 21,185 MBoe, 68% of which were oil and natural gas liquids. In the Mid-Con Region, as of December

[2] "MBoe" is a measurement unit of natural gas and means one thousand Boe. "Boe" means one stock tank barrel of oil equivalent, calculated by converting natural gas and natural gas liquid volumes to equivalent oil barrels at a ratio of six thousand cubic feet to one stock tank barrel.

31, 2015, Bonanza had approximately 294 gross producing wells. The Company also owns gas processing facilities located in Lafayette and Columbia counties in Arkansas.

16. For the three months ended September 30, 2016, Bonanza reported total operating revenues of approximately $49.3 million, which represent a 32% decrease in revenue during the same three months during previous fiscal year due in large part to a decrease in oil pricing and sales volumes.

17. The oil and natural gas industry is highly competitive, and Bonanza competes with a substantial number of companies that have greater resources. Many of these companies explore for, produce and market oil and natural gas on a worldwide scale. The Company also faces competition from sources of alternative energy and fuel. As described in Section II, this competitive operating environment has been compounded by decreased oil and natural gas consumption in emerging market countries, due, in part, to weakened international and domestic economies.

18. The Company has a dedicated workforce of employees and independent contractors that has enabled Bonanza to continue to achieve its high standards of productivity, safety and environmental compliance despite exceedingly difficult markets. As of the Petition Date, Bonanza employed approximately 235 full- and part-time employees. These employees include field technicians, petro-professionals (e.g., engineers and geologists), office and field managers and executives. None of Bonanza's employees is represented by a union. The Company's safety record is exemplary, and its employees have logged approximately 2 million work hours without one lost time incident. In recognition of its accomplishments, in 2014 and 2015, the Company was the recipient of an Outstanding Oil and Gas Operations Award from the Colorado Oil and Gas Conservation Commission.

B. Corporate Structure

19. Bonanza is the direct or indirect parent company of each of the Debtors. Bonanza's common stock is publicly traded on the New York Stock Exchange under the ticker symbol "BCEI." As of the Petition Date, there were approximately 49.66 million shares of Bonanza's common stock issued and outstanding. The Company is headquartered in Denver, Colorado and has field offices located in Kersey, Colorado, Evans, Colorado and Magnolia, Arkansas.

C. Capital Structure[3]

20. Bonanza files annual reports with, and furnishes other information to, the SEC. As of the date hereof, Bonanza has 49,660,683 issued and outstanding shares of common stock.

21. Bonanza, as borrower, is party to that certain Credit Agreement dated March 29, 2011 (as amended, supplemented or modified from time to time, the "**Credit Agreement**"), by and among Bonanza, KeyBank National Association, as administrative agent (solely in its capacity as such, "**KeyBank**") and issuing lender, and the lender parties thereto from time to time (the "**RBL Lenders**" and, together with KeyBank, the "**Prepetition Secured Parties**"). The Credit Agreement governs a $1.0 billion revolving credit facility subject to a borrowing base (the "**RBL Facility**") that matures on September 15, 2017. Obligations arising under the RBL Facility are secured by first-priority liens on the real, personal, and other property of the Debtors described in, and to the extent set forth in, the RBL Security Documents (as defined below), (the "**Prepetition Collateral**"), which includes proved reserves and oil and gas properties, all contracts, accounts, inventory, general intangibles, fixtures, and various other assets. However,

[3] The following summary is qualified in its entirety by reference to the operative documents, agreements, schedules and exhibits.

it is the Debtors' view that there is no perfected security interest in the UMB Cash (as defined below).

22. As of January 4, 2017, the Company had approximately $191.7 million in outstanding obligations under the RBL Facility. On May 20, 2016, the borrowing base under the RBL Facility ("**Borrowing Base**") was reduced from $475 million to $200 million, resulting in a borrowing base deficiency of $88 million. The Company was required to pay back the borrowing base deficiency in six monthly installments of approximately $14.7 million. Bonanza made the first such payment on June 13, 2016 and five subsequent payments on or around the 13th of each month thereafter, with the final payment made on November 18, 2016. On October 31, 2016, the Borrowing Base was further reduced from $200 million to $150 million, resulting in a borrowing base deficiency of approximately $50 million. On November 17, 2016, Bonanza notified KeyBank that it had elected to pay back the borrowing base deficiency in six monthly installments of approximately $8.3 million. On November 30, 2016, Bonanza made the first installment payment of $8.3 million, less amounts received by the RBL Lenders pursuant to hedging arrangements that had been terminated by the RBL Lenders. Bonanza did not make the second installment payment of $8.3 million due on December 30, 2016. Accordingly, the current balance of the RBL Facility is $191.7 million.

23. Bonanza has two outstanding series of unsecured notes: (a) $500 million in principal amount of 6.750% senior unsecured notes due 2021 (the "**6.75% Senior Notes**") and (b) $300 million in principal amount of 5.75% senior unsecured notes due 2023 (the "**5.75% Senior Notes**"). The Company issued $300 million aggregate principal amount of 6.75% Senior Notes on April 9, 2013. Interest is payable on the 6.75% Senior Notes on April 15 and October 15 of each year. On November 15, 2013, the Company issued an additional $200 million

aggregate principal amount of 6.75% Senior Notes. The Company issued $300 million aggregate principal amount of the 5.75% Senior Notes on July 15, 2014. Interest is payable on the 5.75% Senior Notes on February 1 and August 1 of each year.

D. Cash Needs

24. The Debtors' businesses are capital intensive and rely on the ability to use cash to, among other things, (a) satisfy payroll, pay suppliers and meet overhead, (b) fund their working capital needs and capital expenditures, (c) drill and grow asset values through the development of oil and gas reserves, (d) pay expenses pursuant to joint operating agreements for properties operated by Debtors, (e) satisfy joint interest billings for properties where the Debtors are a non-operating working interest holder and (f) fund other general corporate purposes.

25. It is critical that the Debtors have uninterrupted and unlimited access to their cash. In fact, any limitation on the Debtors' use of cash during these chapter 11 cases would have disastrous effects on the Debtors' business, severely and immediately hampering the Debtors' business operations and threatening their ability to continue as a going concern. It also would result in the rapid deterioration of the value of the enterprise, as the Debtors likely would lack sufficient working capital to make payments to employees, operators, royalty interest holders, working interest holders, vendors, or suppliers.

26. In order to avoid any business disruption and ensure a smooth transition into chapter 11, the Debtors must signal to their constituents and counterparties that the Debtors have access to liquidity to, among other things, continue the operation of their businesses, maintain their relationships with customers, meet payroll, pay capital expenditures, procure goods and services from vendors and suppliers and otherwise satisfy their working capital and operational

needs, all of which is required to preserve and maintain the Debtors' enterprise value for the benefit of all parties in interest.

27. Additionally, the Debtors' ability to use their oil and gas reserves is critical to their ongoing operations and viability. The Debtors' business model assumes that the Debtors can operate their assets and any limitations on that ability will cause the Debtors to suffer immediate and irreparable harm and will hamper the Debtors' ongoing viability at a critical stage in these bankruptcy cases.

II.

Events Leading to the Chapter 11 Cases

28. The Debtors' debt burden, consisting of approximately $1.0 billion in outstanding principal amount of funded indebtedness, cannot be sustained in the current oil and natural gas pricing environment. Beginning in 2014, a confluence of economic challenges has hobbled the oil and gas industry, particularly those companies, like the Debtors, that are in the exploration and production (E&P) business. As a result of these challenges, dozens of major U.S. oil and gas companies have filed for chapter 11 protection in the last two years, and many more are in significant distress.

29. Most notably, the recent collapse in oil prices is among the most severe on record. The daily NYMEX WTI (New York Mercantile Exchange West Texas Intermediate) index decreased from a high of $107.62 per Bbl[4] in 2014 to a low of $26.14 per Bbl in 2016. The precipitous drop in crude oil pricing is due in large part to increased production levels, crude oil inventories and depressed global economic demand. The Debtors' revenue, profitability, cash flows, liquidity, access to capital, present value and quality of reserves, nature and scale of

[4] "Bbl" means one stock tank barrel of oil, or 42 U.S. gallons of oil.

operations and future rate of growth are largely dependent on oil prices. Oil and gas, like other commodities, are subject to wide fluctuations in response to relatively minor changes in supply and demand. Because approximately 76% of the Company's estimate proved reserves as of December 31, 2015 were oil and natural gas liquids, the Company is highly sensitive to movements in oil prices.

30. Macroeconomic forces driving oil and natural gas prices to record low levels, in combination with the Debtors' over-levered balance sheet, have jeopardized the Company's ability to sustain its current operations and position itself for future growth. As a result of these factors, the Debtors, like other similarly situated E&P companies, have elected to commence chapter 11 cases to restructure their commercial and funded debt obligations and position themselves to successfully compete in a changed pricing environment.

III.

Prepetition Restructuring Initiatives

31. Bonanza's management team has taken numerous actions in response to the challenges described above in order to enhance its operations, as well as to improve its liquidity profile and deleverage its balance sheet. The Debtors have at the same time implemented an aggressive cost-savings initiative Company-wide intended to leverage their base of oil and gas assets.

A. Operational Initiatives

32. From an operational perspective, in light of the decreased price for the Company's oil and natural gas products and decline in revenue generated from the Company's operations during the past two years, the Company has taken steps to reduce operating costs and capital expenditures. During 2015, the Company negotiated with its primary suppliers and service providers resulting in an approximate 29% reduction in the Company's drilling and

completion costs on standard reach lateral wells and an approximate 12% reduction in the Company's lease operating expenses per Boe. The Company also took measures to reduce corporate costs by terminating numerous at-will employees and effectuating two rounds of work force reductions. These workforce reductions, in addition to normal attrition, resulted in the departure of approximately 100 employees and one-time severance payments of $7.1 million in the aggregate. Additionally, the employment of contract workers was reduced by approximately 70% over the same time period. The Company expects to save in excess of $10 million annually as a result of these cost saving decisions.

33. During the first quarter of 2016, the Company ceased its drilling program and does not have active drilling planned until the second quarter of 2017. The Company scaled back its 2016 budget to reflect a modest capital program of $25 million to $35 million in order to conserve liquid resources. For example, capital expenditures during the first quarter of 2016 were approximately $20.7 million, as compared with $123.4 million for the first quarter of 2015.

34. In addition, the Company has continued to demonstrate its commitment to long-term success by streamlining operations and increasing efficiencies. Over the past year, the Company has adjusted operating schedules and reduced shift work and contract labor throughout its operations to better align with sales volume. The Company has also taken aggressive measures to cut costs across the organization, including through improvements to process, material optimization, implementation of predictive maintenance and decreasing parts and supplies expense through renegotiated supplier terms.

B. Liquidity Initiatives

35. The Company has explored the divestiture of certain of its assets, including those assets located in the Mid-Con and assets held by Rocky Mountain Infrastructure, LLC.

Ultimately, however, the Company was unable to consummate sales of such assets in light of bidders' concerns regarding the Company's solvency, and the general depressed oil and gas pricing environment.

36. As a result of these efforts by management, the Company achieved a certain amount of cost savings. However, in light of the prolonged challenging market conditions, it became clear that material changes to its balance sheet were necessary.

C. Restructuring Initiatives

37. Beginning in February 2016, the Company initiated discussions with attorneys at Davis Polk & Wardwell LLP regarding the possibility of an out-of-court or in-court restructuring with certain of its lenders, unsecured noteholders and contract counterparties in order to de-lever its balance sheet and improve liquidity. On May 6, 2016, the Company retained Perella Weinberg Partners as its investment banker.

38. As noted above, on May 20, 2016, the Borrowing Base was reduced, further limiting the Debtors' sources of liquidity and requiring the Company, beginning on June 13, 2016 and each month for five consecutive months thereafter, to pay approximately $14.7 million to the RBL Lenders. In the second quarter of 2016, as the Debtor's liquidity situation continued to deteriorate, the Debtors' advisors initiated periodic calls with advisors to the RBL Lenders, opened a virtual data room to such advisors and convened an in-person management meeting with the financial advisor to the RBL Lenders.

39. Simultaneously, the Debtors began discussions in earnest with an ad hoc group of holders of the 5.75% Senior Notes and the 6.75% Senior Notes (the "**Ad Hoc Group**") as well as Silo Energy, LLC and NGL Crude Logistics LLC, the counterparties (collectively, the "**Crude Oil Counterparties**") to the Debtors' primary crude oil purchase agreements (collectively, the

"**Crude Oil Contracts**"). As described more fully in the Rejection and Estimation Motion (as defined below), the pricing and minimum volume commitment terms set forth in the Crude Oil Contracts did not reflect the Debtors' operational capacity, thereby placing an additional strain on the Debtors' ability to sustain their businesses through the prolonged depressed oil and natural gas pricing environment. Beginning in the summer of 2016, the Debtors reached out to the Crude Oil Counterparties and their advisors to negotiate potential amendments or other modifications to the Crude Oil Contracts.

40. During the summer and fall of 2016, the Debtors exchanged non-disclosure agreements and term sheets with advisors to the Ad Hoc Group, the RBL Lenders and the Crude Oil Counterparties, as well as potential new money investors, and hosted several in person meetings between certain members of the Debtors' management and certain members of and advisors to the Ad Hoc Group in New York City and Denver. The Debtors and Bonanza's Board of Directors (the "**Board**") embraced a dual-track approach to restructuring negotiations: negotiate the terms of a potential in-court transaction with Ad Hoc Group and other parties, while simultaneously negotiating the terms of an out-of-court transaction with potential third party new money investors so as to preserve the restructuring options available to the Debtors and maximize their negotiating leverage. During this time period, certain members of the Debtors' management, the Board and the Debtors' advisors begin scheduling weekly calls to discuss the status and any developments related to the restructuring negotiations. Negotiations were hard-fought, arms-length and at times tense, but ultimately highly productive.

41. As negotiations with their creditors and counterparties continued, it became clear that the substantial deleveraging that the Debtors sought to accomplish would most effectively be accomplished through an in-court transaction. Accordingly, after months of arms'-length

negotiations, the Debtors signed the RSA on December 23, 2016, pursuant to which the Supporting Noteholders (as defined in the RSA) and NGL have committed, subject to the terms and conditions of the RSA, to support the Debtors in their efforts to confirm the Prepackaged Plan. The Debtors believe that the transactions embodied in the RSA and the Prepackaged Plan represent the best restructuring alternative available to the Debtors and maximizes the value of the Debtors' estates for the benefit of all stakeholders.

D. The Terms of the Restructuring and RSA

42. The terms of the Restructuring are reflected in the Prepackaged Plan. Upon its full implementation, the Prepackaged Plan will effect a significant deleveraging of the Debtors' capital structure by discharging approximately more than $850 million in aggregate principal, interest and prepayment premiums outstanding under the Unsecured Notes (as defined below). The Debtors will realize substantial interest expense savings, which will significantly contribute to their ability to continue funding their operations and making the necessary capital expenditures and investments to ensure production and monetization of their oil and gas resources.

43. The Prepackaged Plan equitizes the 5.75% Senior Notes and the 6.75% Senior Notes (collectively, the "**Unsecured Notes**"), providing each holder thereof (collectively, the "**Unsecured Noteholders**") its ratable share of 100% of new common stock in reorganized Bonanza (the "**New Common Stock**") as of the Effective Date (subject to dilution by the Existing Equity Allocation (as defined below), the New Common Stock issued pursuant to the Rights Offering (as defined below) and Management Incentive Plan (as defined in the Prepackaged Plan) and the New Common Stock issued upon exercise of the Warrants (as defined below)).

44. The Prepackaged Plan also contemplates that the Debtors will receive, upon emergence from chapter 11, additional working capital from the proceeds of a $200 million rights offering (the "**Rights Offering**"), backstopped by certain of the Unsecured Noteholders. Pursuant to the Prepackaged Plan, each general unsecured creditor of each Debtor other than BCEOC, including all Unsecured Noteholders, shall have the right to subscribe to purchase its ratable share of offered New Common Stock. Additionally, certain of the Unsecured Noteholders (collectively, the "**Backstop Parties**") have entered into a backstop agreement (the "**Backstop Commitment Agreement"**) to ensure that the Rights Offering is fully subscribed. On the Effective Date, each of the RBL Lenders will either receive payment in full in cash or a ratable share of a new credit facility on terms to be agreed, or the treatment such RBL Lender is legally entitled to under the Bankruptcy Code, depending on whether the RBL Lenders as a class vote to accept or reject the Prepackaged Plan.

45. All prepetition equity interests ("**Existing Equity Interests**") will be cancelled and extinguished on the Effective Date. Notwithstanding the foregoing, in exchange for agreeing to release to certain parties from certain claims and causes of action under the Prepackaged Plan, the holders of Existing Equity Interests will receive (i) their pro rata share of New Common Stock representing, in the aggregate, 4.5% of New Common Stock issued on the Effective Date (subject to dilution by the New Common Stock issued pursuant to the Rights Offering and the Management Incentive Plan) and (ii) warrants (the "**Warrants**") to purchase 7.5% of the total outstanding New Common Stock exercisable for a three (3) year period at a per share price based upon a total equity value of $1.45 billion of reorganized Bonanza.

46. On the Effective Date (as defined in the Prepackaged Plan), NGL and the Debtors will enter into the New NGL Agreement (as defined in the RSA), which will replace the existing

Crude Oil Contract between Debtor Bonanza Creek Energy Operating Company and NGL Crude Logistics LLC. Among other things, the New NGL Agreement will be effective for an initial term of seven (7) years and provides that 100% of the Debtors' production from a 1-rig program (subject to a cap of 20,000 Bbls per day) will be delivered to NGL. Importantly, there will be no minimum volume commitment under the New NGL Agreement in 2017, and minimum volume commitments thereafter will be based on percentage of risked production forecasted for a 1-rig drilling program or agreed upon between the parties. Furthermore, the pricing terms of the New NGL Agreement are more favorable than those contained in its current Crude Oil Contracts.

47. The Debtors expect to restructure their debt obligations, capital structure and important commercial relationships, return to viability and obtain significant recoveries for creditor constituencies through the Prepackaged Plan while preserving material value for existing equity and other constituents. Bonanza has no labor-related issues that need to be resolved in chapter 11. There will be no section 1113 or section 1114 process in these cases. Thus, the Debtors can focus their attention on marshaling their resources to continue to operate their businesses in the ordinary course and honor their strong vendor relationships through the All Trade Motion. Upon emergence, the Debtors are confident that they will leverage their low-cost oil and natural gas asset base and their highly-skilled management team and workforce to create substantial value for all future stakeholders.

IV.

First Day Motions

48. The Debtors filed the First Day Motions concurrently with the filing of their chapter 11 petitions. The Debtors request that each of the First Day Motions be granted, as each constitutes a critical element in achieving a successful and smooth transition to chapter 11.

49. For a more detailed description of the First Day Motions than set forth below, the Debtors respectfully refer the Court to the respective First Day Motions. To the extent that this Declaration and the provisions of any of the First Day Motions are inconsistent, the terms of the First Day Motions shall control. Capitalized terms that are used in this Part IV but not otherwise defined in this Declaration shall have the meanings ascribed to them in the relevant First Day Motion.

A. Administrative Motions

i. *Motion of Debtors for Entry of an Order Directing Joint Administration of Chapter 11 Cases (the "**Joint Administration Motion**")*

50. The Debtors seek entry of an order directing joint administration of these cases for procedural purposes only, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure and Rule 1015-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware. Specifically, the Debtors request that the Court maintain one file and one docket for all of the chapter 11 cases under the lead case, Bonanza Creek Energy, Inc. Further, the Debtors request that an entry be made on the docket of each of the chapter 11 cases of the Debtors to indicate the joint administration of the estates. In addition, the Debtors request the Court to waive the requirement of section 342(c)(1) of the Bankruptcy Code and Bankruptcy Rules 1005 and 2002(n) to include the Debtors' full tax identification numbers in the Debtors' caption and notices sent to creditors.

51. Given the provisions of the Bankruptcy Code and the Debtors' affiliation, joint administration of these cases is warranted. Joint administration will avoid the preparation, replication, service and filing, as applicable, of duplicative notices, applications and orders, thereby saving the Debtors considerable expense and resources. The Debtors' financial affairs and business operations are closely related. Many of the motions, hearings and orders in these

chapter 11 cases will affect each Debtor and their respective estates. The rights of creditors will not be adversely affected, as the Joint Administration Motion requests only administrative, and not substantive, consolidation of the estates. Moreover, each creditor can still file its claim against a particular estate. In fact, all creditors will benefit by the reduced costs that will result from the joint administration of these chapter 11 cases. The Court also will be relieved of the burden of entering duplicative orders and maintaining duplicative files. Finally, supervision of the administrative aspects of these chapter 11 cases by the United States Trustee for the District of Delaware will be simplified.

52. Furthermore, it is appropriate to waive the requirement of section 342(c)(1) of the Bankruptcy Code and Bankruptcy Rules 1005 and 2002(n) to include the Debtors' full tax identification numbers in the Debtors' caption and notices sent to creditors. This information is available on all of the Debtors' chapter 11 petitions. Waiver of this requirement is purely procedural in nature and will ease the administrative burden on the Debtors.

53. I believe that the relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Joint Administration Motion should be granted.

ii. *Motion of Debtors for an Order (i) Scheduling a Combined Hearing to Consider (A) Approval of the Disclosure Statement and (B) Confirmation of the Prepackaged Plan, (ii) Establishing Objection Deadline to Object to Disclosure Statement and Prepackaged Plan, (iii) Approving Form and Manner of Notice of Combined Hearing, Objection Deadline and Notice of Commencement, (iv) Approving Procedures for Holders of Existing Equity Interests to Opt Out of Releases, (v) Approving Solicitation Procedures and Forms of Ballots, (vi) Conditionally Waiving Requirement of Filing a Statement of Financial Affairs and Schedules of Assets and Liabilities and (vii) Conditionally Waiving the Requirement to*

*Convene Section 341 Meeting of Creditors (the "**Combined Hearing Motion**")*

54. The Debtors seek entry of an order (i) scheduling a combined hearing (the "**Combined Hearing**") to consider approval of the Disclosure Statement and confirmation of the Prepackaged Plan, (ii) establishing an objection deadline (the "**Objection Deadline**") to object to the adequacy of the Disclosure Statement or confirmation of the Prepackaged Plan, (iii) approving the solicitation procedures with respect to the Prepackaged Plan, and the form of ballots and the equity opt out consent notices, (iv) approving the form and manner of notice of the Combined Hearing, the Objection Deadline and notice of commencement, (v) extending the time for the Debtors to file schedules of assets and liabilities and statements of financial affairs (collectively, the "**Schedules and Statements**") through and including March 6, 2017 (the "**SOAL/SOFA Deadline**"), and conditionally waiving the requirement that the Debtors file the Schedules and Statements upon confirmation of the Prepackaged Plan and (vi) conditionally waiving the requirement to convene the meeting of creditors under section 341 of the Bankruptcy Code if the Prepackaged Plan becomes effective on or before the SOAL/SOFA Deadline.

55. The table above in paragraph 8 of this Declaration summarizes the relevant dates related to the Solicitation and sets forth the Debtors' proposed dates for the Combined Hearing and Objection Deadline. The Debtors anticipate that notice of the Combined Hearing will be published and mailed to all known holders of claims and interests at least 28 days before the date by which objections must be filed with this Court.

56. I believe that the relief requested in the Combined Hearing Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on

behalf of the Debtors, I respectfully submit that the relief requested in the Combined Hearing Motion should be granted.

B. Operational Motions Requesting Immediate Relief

i. *Motion of Debtors for Entry of Interim and Final Orders Pursuant to Bankruptcy Code Sections 105(a), 361, 362, 363, 503, and 507, Bankruptcy Rules 2002, 4001, 6004, and 9014, and Local Rule 4001-2 (i) Authorizing the Debtors to Utilize Cash Collateral, (ii) Granting Adequate Protection to Prepetition Secured Parties, (iii) Modifying the Automatic Stay, (iv) Scheduling a Final Hearing, and (v) Granting Related Relief (the "**Cash Collateral Motion**")*

57. The Debtors seek expedited entry of interim and final orders (i) authorizing the Debtors to use certain cash in the Debtors' deposit accounts, other than the UMB Cash (defined below) (the "**Cash Collateral**"), pursuant to section 363(c)(2) of the Bankruptcy Code, (ii) granting adequate protection to the Prepetition Secured Parties, and (iii) granting related relief.

58. The Cash Collateral Motion concerns the Debtors' use of cash in their deposit accounts to continue operations, to fund these chapter 11 cases, and to implement the prepackaged plan of reorganization. The Debtors have two sources of cash as of the Petition Date, approximately $70 million held by Debtor Holmes Eastern Company, LLC in an account at UMB Bank, N.A. (the "**UMB Cash**") and approximately $10 million of cash held by Debtor Bonanza Creek Energy, Inc. in an account at BBVA Compass (the "**BBVA Cash**"). Any receivables collected by the Debtors may also be deposited into the BBVA Compass deposit account (the "**BBVA Deposit Account**").

59. The UMB Cash is in an account at UMB Bank, N.A. that was opened in Denver, Colorado (the "**UMB Deposit Account**"), and solely constitutes proceeds of a prior draw from the revolving facility under the Credit Agreement and, to the Debtors' knowledge, does not include proceeds of Prepetition Collateral.

60. The BBVA Deposit Account is used to make disbursements to various payees, including employees and vendors, and cash proceeds from the postpetition operation or sale of Prepetition Collateral will be deposited into the BBVA Deposit Account.

61. The UMB Cash is unencumbered by any perfected security interest, including any interest of the Prepetition Secured Parties, because the Prepetition Secured Parties have lacked control over the cash at all times. Therefore, as of the Petition Date, approximately $70 million of the Debtors' cash is not subject to any perfected security interest.

62. The Debtors are seeking authorization to use the Cash Collateral pursuant to section 363(c)(2) of the Bankruptcy Code, and are offering the Prepetition Secured Parties a full adequate protection package consisting of replacement liens, a superpriority administrative claim, cash adequate protection payments, monitoring and reporting rights, and reasonable professionals' fees and expenses. The Debtors are also requesting that the Court authorize the Debtors to use the non-cash Prepetition Collateral under section 363(e) for the same reason that use of the Cash Collateral is proper under section 363(c)(2) – namely, that the Prepetition Secured Parties are adequately protected by the adequate protection proposed in the Interim Order.

63. As discussed in Section I(C) above, the RBL Facility and the related loan documentation grant the Prepetition Secured Parties security interests in the real, personal, and other property of the Debtors described in, and to the extent set forth in, the Security Agreement, dated as of March 29, 2011, between BCEI and certain subsidiaries of BCEI, as Grantors, and the Prepetition Agent (as heretofore amended, restated, supplemented, or otherwise modified, the "**RBL Security Agreement**") and all other documents and agreements defined as Security Instruments under the RBL Credit Agreement ("**RBL Security Documents**"). This Prepetition

Collateral includes the Debtors' proved oil and gas reserves. Estimates of the value of the Debtors' reserves can be used to determine whether the Prepetition Secured Parties are oversecured.

64. For example, in reserve reports provided to KeyBank in April 2016, the Debtors valued their reserves at approximately $500 million on a PV-9 basis, and in reserve reports provided to KeyBank in October 2016, the Debtors valued such reserves at approximately $725 million on a PV-9 basis:

Date of Valuation	Reserve Value Estimated as of	Total Reserve Value ($M)
April 2016	April 1, 2016	$515.8
	October 1, 2016	$499.5
Oct. 2016	October 1, 2016	$725.3
	April 1, 2017	$724.4

The Debtors shared these reserve values with KeyBank prior to commencement of these Chapter 11 cases, and shared access to the engineering database that was used to generate these values.

65. Additionally, for purposes of these chapter 11 cases, Perella Weinberg Partners conducted a sum-of-the-parts analysis and valuation analysis of the Debtors to estimate the total enterprise value of the reorganized Debtors on a going concern basis. Employing a number of standard valuation methodologies, including net asset value analysis, comparable companies analysis, precedent transaction analysis, discounted cash flows analysis, and prior asset marketing efforts analysis, Perella Weinberg Partners estimated the total enterprise value of the reorganized Debtors to be approximately $570 million to $680 million, with a mid-point of $625 million. The total enterprise value includes, among other items, the value of the Debtors' proved oil and gas reserves.

66. I believe that the relief requested in the Cash Collateral Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Cash Collateral Motion should be granted.

ii. *Motion of Debtors for Entry of Interim and Final Orders Authorizing (i) the Debtors to Continue to Maintain Existing Cash Management System, Fuel Card Program, Bank Accounts and Business Forms and (ii) Financial Institutions to Honor and Process Related Checks and Transfers (the "**Cash Management Motion**")*

67. The Debtors seek entry of interim and final orders (i) authorizing, but not directing, the Debtors, in their sole discretion, to (a) continue to operate their prepetition cash management system (the "**Cash Management System**") with respect to intercompany cash management, (b) maintain the Fuel Card Program (as defined below), (c) maintain the Debtors' existing bank accounts (collectively, the "**Bank Accounts**") located at various banks and financial institutions and (d) maintain the Debtors' existing business forms and (ii) waiving the requirements of section 345(b) of the Bankruptcy Code on an interim basis.

68. In the ordinary course of business, the Debtors utilize the Cash Management System to collect and disburse funds generated by the operations of the Debtors. The Cash Management System also enables the Debtors to monitor the collection and disbursement of funds and maintain control over the administration of their Bank Accounts. The Debtors also maintain a fuel purchase program (the "**Fuel Card Program**") with WEX Bank. The Fuel Card Program is used by the Debtors to pay the authorized fuel purchases of approximately 210 employees. Without the relief requested, the Debtors would have great difficulty maintaining their operations, which could cause harm to the Debtors and their estates.

69. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Cash Management Motion should be granted.

iii. *Motion of Debtors for Entry of an Order Authorizing (i) The Debtors to (a) Pay Prepetition Wages, Salaries, Employee Benefits and Other Compensation and (b) Maintain Employee Benefits Programs and Pay Related Administrative Obligations, (ii) Current and Former Employees to Proceed with Outstanding Workers' Compensation Claims and (iii) Financial Institutions to Honor and Process Related Checks and Transfers (the "**Wages and Benefits Motion**")*

70. The Debtors seek entry of an order (a) authorizing, but not requiring, the Debtors (i) to pay or cause to be paid, in their sole discretion, all or a portion of the amounts owing (and associated costs) under or related to Wages, the Withholding Obligations, the Reimbursement Obligations, the Relocation Obligations, the Health and Welfare Plan Obligations, the Vacation and Sick Leave Obligations, the Disability Obligations, the Retirement Obligations, the Severance Obligations, the Supplemental Retention Obligations, the COBRA Obligations, the Workers' Compensation Obligations, the Contingent Workers Obligations and the Non-Insider Incentive Plan Obligations and (ii) except as set forth in the Wages and Benefits Motion, to continue, in their sole discretion, the Employee Programs, as those Employee Programs were in effect as of the Petition Date and as may be modified, terminated, amended or supplemented from time to time by the Debtors, in their sole discretion, and to make payments pursuant to the Employee Programs in the ordinary course of business, as well as to pay related administrative obligations, (b) permitting current and former Employees holding claims under the Workers' Compensation Programs to proceed with such claims in the appropriate judicial or administrative fora and permitting insurers to continue to access collateral and security provided by the Debtors

pursuant to the Workers' Compensation Programs and (c) authorizing applicable banks and other financial institutions to receive, process and pay any and all checks drawn on the Debtors' payroll and general disbursement accounts and automatic payroll and other transfers to the extent that those checks or transfers relate to any of the foregoing.

71. If the requested relief is not granted, the Debtors' relationships with their Employees would be adversely impacted and there could well be irreparable harm to the Employees' morale, dedication, confidence and cooperation. The Debtors' businesses hinge on their ability to cost-effectively deliver oil and natural gas at various delivery points on time and in conformity with certain specifications. The Employees' support for the Debtors' efforts is critical to the success of these chapter 11 cases. At this early stage, the Debtors simply cannot risk the substantial damage to their businesses that would inevitably attend any decline in their Employees' morale attributable to the Debtors' failure to pay wages, salaries, benefits and other similar items.

72. I believe that the relief requested in the Wages and Benefits Motion is in the best interests of the Debtors' estates, their creditors and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Wages and Benefits Motion should be granted.

iv. *Motion of Debtors for Entry of Interim and Final Orders (i) Authorizing Payment of Prepetition Claims of Trade Creditors and (ii) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers Pursuant to Sections 105(a), 362(d), 363(b) and 503 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 (the "**All Trade Motion**")*

73. The Debtors seek entry of interim and final orders (a) authorizing, but not directing, the Debtors to pay, in the ordinary course of business, allowed prepetition claims (collectively, the "**Trade Claims**") of unsecured trade creditors that provide goods or services

related to the Debtors' operations (collectively, the "**Trade Creditors**") and (b) authorizing financial institutions to receive, process, honor and pay checks or electronic funds transfers used by the Debtors to pay the foregoing.

74. The Trade Creditors provide the Debtors with uninterrupted access to key resources. The Trade Creditors include, without limitation, common carriers, movers, freight forwarders/consolidators, delivery services, trucking and rail transport companies, transloaders, third-party throughput and ground storage providers, shipping auditing services, deconsolidators, distributors, logistics management companies, storage providers, contractors, mechanics, technical engineers, raw material (including water, methanol and different well treatment chemicals) and PVF (pipe, valve and fitting) suppliers, well servicing and testing professionals, clean-up and repairmen (including those specializing in Spill Prevention, Control and Countermeasures (SPCC)), maintenance agents, specialized equipment providers, and other service providers that repair, maintain, equip, supply and otherwise service necessary equipment and machinery —all of which enable the Debtors' businesses to function smoothly.

75. The Debtors are not seeking to pay all Trade Claims immediately or in one lump sum; rather, if authorized by this Court, the Debtors intend to pay these amounts as they become due and payable in the ordinary course of the Debtors' business consistent with past practice. As of the Petition Date, the Debtors have approximately $80 million in cash on hand. Cash maintained by the Debtors and the cash generated in the ordinary course of business will provide ample liquidity for payment of Trade Claims, as well as for the Debtor to conduct operations during these chapter 11 cases as they move forward with confirmation of the Prepackaged Plan.

76. I believe that the relief requested in the All Trade Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical

element in achieving a successful and smooth transition to chapter 11. Moreover, the relief requested in the All Trade Motion is appropriate in light of the fact that the Prepackaged Plan contemplates all Trade Claims riding through these chapter 11 cases unimpaired. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the All Trade Motion should be granted.

v. *Motion of Debtors for Entry of Interim and Final Orders Authorizing (i) The Debtors to Continue and Renew Surety Bond Program and (ii) Financial Institutions to Honor and Process Related Checks and Transfers (the "**Surety Motion**")*

77. The Debtors seek entry of interim and final orders authorizing (a) the Debtors to maintain, continue and renew, in their sole discretion, their Surety Bond Program on an uninterrupted basis and in accordance with the same practices and procedures, including, but not limited to, the maintenance of existing collateral, as were in effect before the Petition Date and (b) financial institutions to receive, process, honor and pay related checks or wire transfers. This authority would include permitting, but not requiring, the Debtors (a) to pay all amounts arising under the Surety Bond Program due and payable after the Petition Date and (b) to renew or obtain new surety bonds as needed, including, but not limited to, as may be required by law or judicial authority, without further notice or order of the Court.

78. In the ordinary course of their businesses, the Debtors are required, pursuant to state and federal law, to provide surety bonds to third parties to secure the Debtors' payment or performance of certain other obligations, including obligations owed to state or federal agencies, contractual obligations, and obligations required by law. Failure to provide, maintain and timely replace these surety bonds would jeopardize the Debtors' ability to continue its onshore oil and gas operations in Colorado and Arkansas and to continue its midstream operations in Colorado

79. I believe that the relief requested in the Surety Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that relief requested in the Surety Motion should be granted.

vi. *Motion of the Debtors for Entry of Interim and Final Orders Authorizing (i) the Debtors to Continue and Renew Their Liability, Property, Casualty and Other Insurance Programs and Honor All Obligations in Respect Thereof and (ii) Financial Institutions to Honor and Process Related Checks and Transfers (the "**Insurance Motion**")*

80. The Debtors seek entry of interim and final orders authorizing (a) the Debtors to maintain, continue and renew, in their sole discretion, their various liability, casualty, property and other insurance and reinsurance programs in the ordinary course of their businesses through several private insurance carriers on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date and (b) financial institutions to receive, process, honor and pay related checks or wire transfers used to pay for the foregoing. This would include (i) paying all amounts arising under the Insurance Programs or the financing thereof and (ii) renewing or obtaining new insurance policies as needed in the ordinary course of business.

81. The Debtors maintain various Insurance Programs through Insurance Carriers. If the requested relief is not granted and the Insurance Programs lapse or terminate, the Debtors may well be unable to continue large portions of their operations, thereby endangering the value of the Debtors' assets and substantially harming all creditors. The Debtors believe that all material amounts related to the Insurance Programs that were due and payable on or prior to the Petition Date have been fully paid but, out of an abundance of caution and to avoid irreparable harm to their businesses, the Debtors seek authority to satisfy any such prepetition obligations through the Insurance Motion.

82. I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Insurance Motion should be granted.

vii. *Motion of Debtors for Entry of Interim and Final Orders (i) Prohibiting Utilities From Altering, Refusing or Discontinuing Service, (ii) Deeming Utility Companies Adequately Assured of Future Performance and (iii) Establishing Procedures for Determining Requests for Additional Adequate Assurance (the "**Utilities Motion**")*

83. The Debtors seek entry of interim and final orders (a) determining that the Debtors' proposed offer of deposits, as set forth in the Utilities Motion, provides the Utilities with adequate assurance of payment within the meaning of section 366 of the Bankruptcy Code, (b) approving procedures for resolving requests by Utilities for additional or different assurances beyond those set forth in the Utilities Motion and (c) prohibiting the Utilities from altering, refusing or discontinuing any Utility Services on account of prepetition amounts outstanding or on account of any perceived inadequacy of the Debtors' proposed adequate assurance.

84. In connection with the operation of their businesses and management of their properties, the Debtors obtain utility services, including electricity, natural gas, telephone, sewage, telecommunications, waste removal water and other similar services from dozens of utilities, as that term is used in section 366 of the Bankruptcy Code. The Debtors seek approval of the procedures to avoid the severe consequences to the Debtors of any interruption in services by the Utilities.

85. I believe that the relief requested in the Utilities Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of

the Debtors, I respectfully submit that the relief requested in the Utilities Motion should be granted.

viii. *Motion of Debtors for Entry of (a) an Order (i) Approving the Rights Offering Procedures and Related Forms, (ii) Authorizing the Debtors to Conduct the Rights Offering in Connection with the Debtors' Joint Prepackaged Plan of Reorganization, and (iii) Granting Related Relief and (b) an Order (i) Authorizing the Debtors to Assume the Backstop Commitment Agreement and Pay the Backstop Obligations and (ii) Granting Related Relief (the "**Rights Offering Approval and Backstop Assumption Motion**")*

86. The Debtors seek entry of an order (i) approving procedures and instructions for exercising Subscription Rights (as defined in the Prepackaged Plan) (the "**Rights Offering Procedures**"), (ii) authorizing the Debtors to conduct the Rights Offering, (iii) approving the form of materials necessary to the consummation of the Rights Offering under the terms of the Rights Offering Procedures, including (A) the Subscription Agreement with respect to the Allowed Notes Claims, (B) the Subscription Agreement with respect to the General Unsecured Claims, (C) the General Unsecured Claim Subscription Form, and (D) the Beneficial Holder Subscription Forms (each, as defined in the Rights Offering Procedures, and collectively, the "**Rights Offering Materials**"), (iv) granting related relief and (b) an order (i) authorizing the Debtors to assume the Backstop Agreement and pay the Backstop Obligations, and (ii) granting related relief.

87. The Debtors seek entry of the Rights Offering Order at the same time as entry of the proposed orders granting the relief requested in the Debtors' other "first day" motions following the "first day" hearing. However, the Debtors do not seek entry of the Backstop Commitment Order until after this Motion is heard at a subsequent hearing scheduled by this Court on sufficient notice to all parties in interest.

88. To successfully consummate the Restructuring under the Prepackaged Plan and emerge from these chapter 11 cases well-capitalized and competitive, the Debtors have agreed to launch a $200 million rights offering, whereby eligible holders of Unsecured Notes shall have the right to subscribe to purchase their ratable share of $200 million of New Common Stock, which Rights Offering will be backstopped by certain holders of the Unsecured Notes (collectively, the "**Backstop Parties**") pursuant to the Backstop Commitment Agreement. The Debtors have entered into the Backstop Commitment Agreement, dated December 23, 2016, among Bonanza Creek Energy, Inc. and the Backstop Parties (the "**Backstop Commitment Agreement**") to ensure that, in the event the Rights Offering is undersubscribed, they will nonetheless receive sufficient proceeds to meet their obligations under the Prepackaged Plan and the Restructuring Support Agreement.

89. In connection with the Prepackaged Plan, the Debtors intend, upon approval of the Rights Offering Procedures by this Court, to launch the Rights Offering pursuant to which Eligible Holders (as defined in the Rights Offering Procedures) shall have the right to receive their pro rata share of $200 million of the New Common Stock (which New Common Stock are assumed pro forma to be 20,000,000 shares) distributed pursuant to and in accordance with the Rights Offering Procedures.

90. The Rights Offering is a vital component of the Debtors' comprehensive Restructuring under the Prepackaged Plan. Liquidity provided to the Debtors following the effectuation of the Rights Offering will stabilize their businesses and give them a meaningful opportunity to explore potential growth opportunities after they emerge from these chapter 11 cases. Without such liquidity, the Debtors' reorganization efforts would be jeopardized and their ability to remain competitive would be in doubt. The terms of the Rights Offering have been

extensively negotiated among the Debtors and the Ad Hoc Group. Pursuant to the Prepackaged Plan and as described below, Eligible Holders will receive subscription rights to purchase Rights Offering Shares (the "**Subscription Rights**"). Specifically, in connection with the Prepackaged Plan, each Eligible Holder will receive Subscription Rights to subscribe for its pro rata Rights Offering Shares, provided that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s).

91. I believe that the relief requested in the Rights Offering Approval and Backstop Assumption Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Rights Offering Approval and Backstop Assumption Motion should be granted.

ix. *Motion of Debtors for Entry of Interim and Final Orders Authorizing Payment of (i) Mineral Payments, (ii) Working Interest Costs, (iii) Working Interest Disbursements, (iv) Joint Interest Billings and (v) Production Sale Expenses (the "**Mineral Payments Motion**")*

92. The Debtors seek entry of interim and final orders authorizing the Debtors to pay (i) the Mineral Payments to the Mineral Payees, (ii) the Working Interest Costs to the Mineral Contractors, (iii) the Working Interest Disbursements to the Non-Op Working Interest Holders, (iv) the Joint Interest Billings and (v) the Production Sale Expenses (each as defined below), in each of the foregoing cases in the ordinary course of business, regardless of whether such obligations were incurred prepetition or postpetition.

93. The Debtors have Working Interests (as defined below) in approximately 1,500 operating and non-operating oil and gas wells in Colorado and Arkansas. Through a written agreement (an "**Oil and Gas Lease**"), owners of mineral interests convey their right to capture

minerals (a "**Working Interest**") to a third party (a "**Working Interest Holder**") in exchange for either a share of production or payments in lieu of a share of production (a "**Royalty Interest**"). A Working Interest may be subject to or burdened by various other interests in minerals, production, or profits, which may have been created before or after the Oil and Gas Lease was entered into or which may exist in the absence of an Oil and Gas Lease. Such interests can take many forms, including overriding royalty interests, non-participating royalty interests, net profits interests, production payments and unleased mineral interests (collectively, with Royalty Interests, the "**Interest Burdens**"). The Debtors maintain 90% of the Working Interests associated with their owned or leased oil and gas properties and operate the majority of their future development drilling inventory. The Debtors' Working Interests are generally subject to Interest Burdens.

94. Working Interest Holders, either through a joint operating agreement or otherwise, will typically designate one Working Interest Holder (or its designee) as the operator (the "**Operator**") of a drilling unit associated with an area of land designated for well production (the "**Pooled Unit**"). The Operator conducts the exploration, drilling and production associated with capturing minerals in the Pooled Unit on behalf of itself and the other, non-operating Working Interest Holders (each, a holder of a "**Non-Op Working Interest**" and each holder, a "**Non-Op Working Interest Holder**"). In many instances, the Operator markets and sells the minerals captured in the Pooled Unit and administers the payment of Mineral Payments on behalf of itself and Non-Op Working Interest Holders prior to disbursing the remaining proceeds to the Non-Op Working Interest Holders in accordance with their ownership therein (generally, the "**Working Interest Disbursements**"). The Debtors, when acting in their capacities as

Operators, generally make Working Interest Disbursements approximately 60 days after production of the underlying oil and gas.

95. In the typical arrangement with Non-Op Working Interest Holders, the Operator initially incurs substantially all of the costs associated with exploration, drilling and production on account of itself and, where applicable, the Non-Op Working Interests Holders (collectively, the "**Working Interest Costs**"), including payments to third parties such as vendors, contractors, drillers, haulers and other suppliers of oil and gas related services (collectively, the "**Mineral Contractors**"). The Operator subsequently will bill the Non-Op Working Interests Holders for their *pro rata* share of the Working Interest Costs under the applicable joint operation agreement or other agreement (each, a "**Joint Interest Billing**"). The Debtors serve as the Operator for the majority of the wells in which they own a Working Interest. The Debtors also hold Non-Op Working Interests in many oil and gas properties. In such circumstances, a third party acts as Operator and is charged with the daily operations and the Working Interest Costs associated therewith. The Debtors' primary responsibility with respect to their Non-Op Working Interests is to timely pay the Operators for their *pro rata* share of Working Interest Costs through the Joint Interest Billing process.

96. As Operator of various Oil and Gas Leases, the Debtors make contractual arrangements (collectively, the "**Production Sale Arrangements**") under which third parties purchasing oil and gas production will charge the Operator for gathering, transportation, storage and marketing of oil and gas, as well as other similar services necessary or desirable to get production to market in a condition ready for sale, including treating, dehydration, compression, processing and fractionation (such charges, collectively, the "**Production Sale Expenses**" and,

together with the Mineral Payments, Working Interest Costs, Working Interest Disbursements, Joint Interest Billings and Control-of-Wells Obligation, the "**Oil and Gas Obligations**").

97. Failure by the Debtors to pay the Mineral Payments to the Mineral Payees, the Working Interest Costs to the Mineral Contractors, the Working Interest Disbursements to the Non-Op Working Interest Holders, the Joint Interest Billings and the Production Sale Expenses could expose the Debtors to enforcement actions, result in actions seeking the forfeiture, cancellation or termination of Oil and Gas Leases, expose the Debtors to statutory enforcement mechanisms, result in the assertion of lien rights under applicable state laws on the Debtors' interests in the Oil and Gas Leases or the production therefrom or force the Debtors to "shut-in" a well. If the relationships established by the Debtors with the Working Interest Holders, Mineral Payees and Mineral Contractors are harmed, whether through non-payment or perceived difficulties of working with a chapter 11 debtor, the Debtors may be unable to secure future opportunities with those parties and other third parties may be unwilling to engage in new business with the Debtors going forward.

98. I believe that the relief requested in the Mineral Payments Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Mineral Payments Motion should be granted.

C. Tax Motions Requesting Immediate Relief

i. *Motion of the Debtors for Entry of Interim and Final Orders Authorizing (i) Debtors to Pay Certain Prepetition Taxes, Governmental Assessments and Fees and (ii) Financial Institutions to Honor and Process Related Checks and Transfers (the "**Taxes and Fees Motion**")*

99. The Debtors seek entry of interim and final orders authorizing (a) the Debtors, in their sole discretion, to pay any Covered Taxes and Fees, whether asserted prior to, on or after the Petition Date and (b) financial institutions to receive, process, honor and pay checks or wire transfers used by the Debtors to pay such Covered Taxes and Fees.

100. In connection with the normal operations of their businesses, the Debtors collect, withhold and incur Severance Taxes, Environmental and Safety Fees and Assessments, Sales and Use Taxes, Employment and Wage-Related Taxes, Franchise Taxes and Fees, Property Taxes and State Income Taxes, as well as other taxes, fees and charges described in the Taxes and Fees Motion. The Debtors remit the Covered Taxes and Fees to various federal, state, local and foreign governments, including taxing and licensing authorities. The Covered Taxes and Fees are remitted by the Debtors through checks and electronic transfers that are processed through their banks and other financial institutions. Failure to pay the Covered Taxes and Fees could give rise to priority or secured claims or result in Governmental Authorities taking actions that might interfere with the Debtors' businesses.

101. I believe that the relief requested in the Taxes and Fees Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Taxes and Fees Motion should be granted.

ii. *Motion of Debtors for Entry of Interim and Final Orders Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Equity Interests in the Debtors' Estates (the "**NOLs Motion**")*

102. The Debtors seek entry of interim and final orders authorizing the Debtors: (a) to establish and implement restrictions and notification requirements regarding the Tax Ownership and certain transfers of common stock of Bonanza and (b) to notify holders of Stock and of the court-ordered procedures. The Debtors also seek approval of a form of notice, which will notify holders of Stock whose actions could adversely affect the Debtors' tax assets that the Procedures have been established by order of this Court. The Debtors also seek to enforce the automatic stay by implementing court-ordered procedures intended to protect the Debtors' estates against the possible loss of valuable tax benefits that could flow from inadvertent stay violations.

103. I believe that the relief requested in the NOLs Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and constitutes a critical element in achieving a successful and smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the NOLs Motion should be granted.

[*Signature page follows*]

I, the undersigned Senior Vice President, Finance and Planning and Principal Financial Officer of Bonanza Creek Energy, Inc., declare under penalty of perjury that the foregoing is true and correct.

Dated: January 4, 2017

/s/ Scott Fenoglio
Scott Fenoglio
Senior Vice President, Finance and
Planning and Principal Financial Officer