

19345 Point O Woods Court
Baton Rouge, Louisiana 70809
225-753-4723
225-753-4661 (fax)

Energy Research Services, Inc.

January 22, 2007

Scott Hoffman
Office of Conservation
PO Box 94275
Baton Rouge, LA 70804-9275
Attention: Mr. Tod Keating

Re: Modification to Application for a Public Hearing
Hilcorp Energy Company
Commingling Facility No. 13 (91613)
Caillou Island Field
Terrebonne Parish, Louisiana

Dear Scott,

This action is a modification to the application previously submitted for this facility. Hilcorp Energy Company (Hilcorp) requests that the previous application, schematic flow diagrams, and description of operations be replaced with those attached.

Historically Hilcorp Energy Company (Hilcorp) and Texaco Exploration and Production, Inc., as the previous operator, have been unable to get one hundred percent of the Royalty and Working Interest Owners to execute the agreement necessary for this proposal. Hilcorp therefore requests that a public hearing be granted.

Pursuant to the provisions of Title 30 of the Revised Statutes of 1950, application is made on behalf of Hilcorp Energy Company for the calling of a public hearing after ten-day legal notice, to consider evidence relative to the issuance of an order giving permission to commingle the following units and leases at the Commingling Facility No. 13 (91613) in the Caillou Island Field, and to commingle and allocate production from leases and units by means of monthly well tests.

The leases and units proposed to be consolidated and included for commingling at Commingling Facility No. 13 are as follows:

<u>LEASE #</u>	<u>LEASE/UNIT NAME</u>	<u>LEASE #</u>	<u>LEASE/UNIT NAME</u>
302453 and 504321	SL 1247	527115	CI L 14000 RA SU
302454 and 514963	SL 1249	612261	LWR X R080 SUA
302460	SL 2986	612246	L 15000 R560 SUA
302459 and 504324	SL 2856	612806	L 15000 STR R550 SUA
302461	SL 301 Terrebonne Bay	040574	14800 R080 SUA
302452	SL 1021	302465	VUH
302457	SL 188 Caillou Island	302462	VUD
302458	SL 2703	302456	VUR

The method of measurement and allocation of production which Hilcorp Energy Company is proposing is explained in the attached description of operations and schematic flow diagrams for the Caillou Island Commingling Commingling Facility No. 13. As indicated, the production will be allocated by monthly well test, using methods other than gauge tanks. The subject facilities are located in the Caillou Island Field, Terrebonne Parish, Louisiana. The methods of measurement and allocation previously approved at the facility will remain the same.

Attached are copies of the following:

- Schematic flow diagrams
- Description of operations
- List of interested owners, interested parties, and represented parties
- Hearing fee of \$755.00 (previously submitted)

The applicable authority is covered pursuant to Title 43, Part XIX.Subpart 6, Statewide Order No. 29-D-1. 1505.2 (Well Test). The allocation meters will be tested and proven monthly for liquid hydrocarbon meters and quarterly for gaseous hydrocarbon meters.

Hilcorp will provide for the advertisement of the legal notice in a newspaper of general circulation in the vicinity of Caillou Island Field and also will post the legal notice in a prominent place in the area of the field. Hilcorp will also mail a copy of said legal notice to the interested parties, including operating and royalty interests.

In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation policies, statutes or regulations of the State of Louisiana. Further, in the opinion of the applicant, the commingling procedure proposed will provide reasonable, accurate measurement, will not create inequities and will insure that the owner of any interest will have the opportunity to recover his just and equitable share of the reservoir content. Hilcorp requests that this matter be set for hearing at the earliest possible time and date.

January 22, 2007

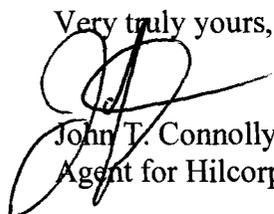
Page 3

A copy of this application and attachments, except the check, is being sent to Mr. Richard D. Hudson, District Manager, Office of Conservation, Lafayette, Louisiana. A copy of the legal notice will be mailed to each Interested Owner, Represented Parties, and Interested Parties having an interest in the various leases and units.

All inquiries concerning this proposal should be directed to Mr. John T. Connolly, Agent for Hilcorp Energy Company, 19345 Point O Wood Court, Baton Rouge, Louisiana 70809.

Should you have any questions, please call or email me at 753-4723 / ersses@cox.net.

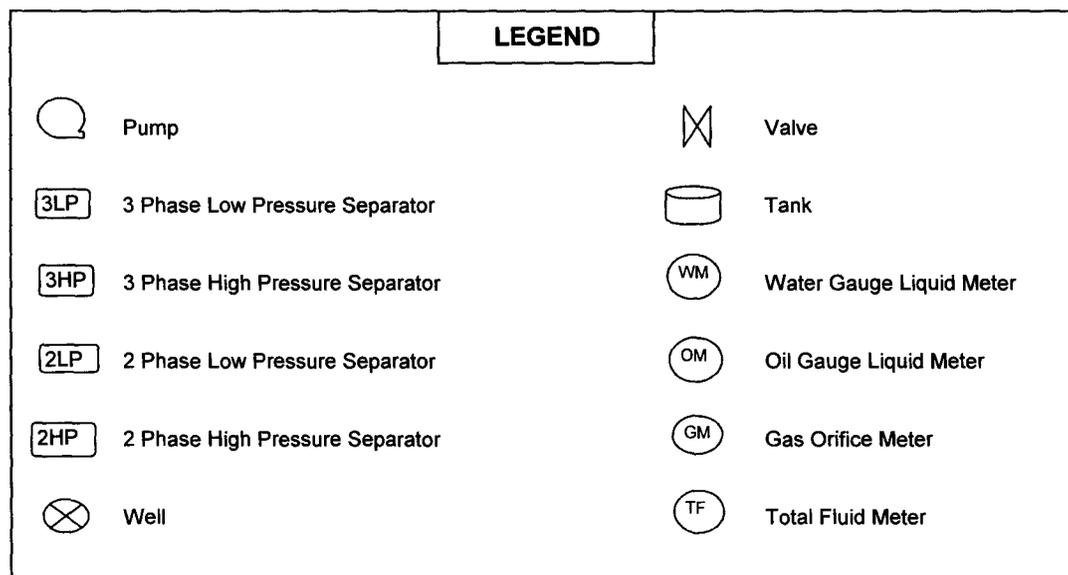
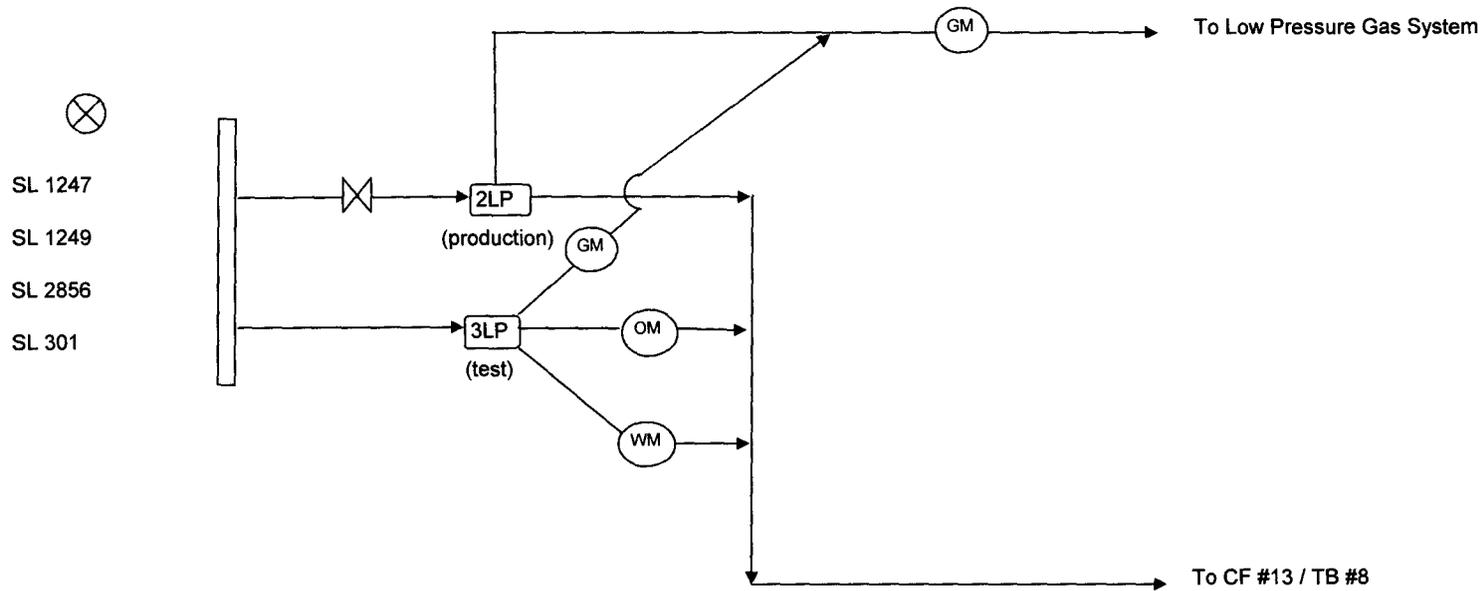
Very truly yours,



John T. Connolly
Agent for Hilcorp Energy Company

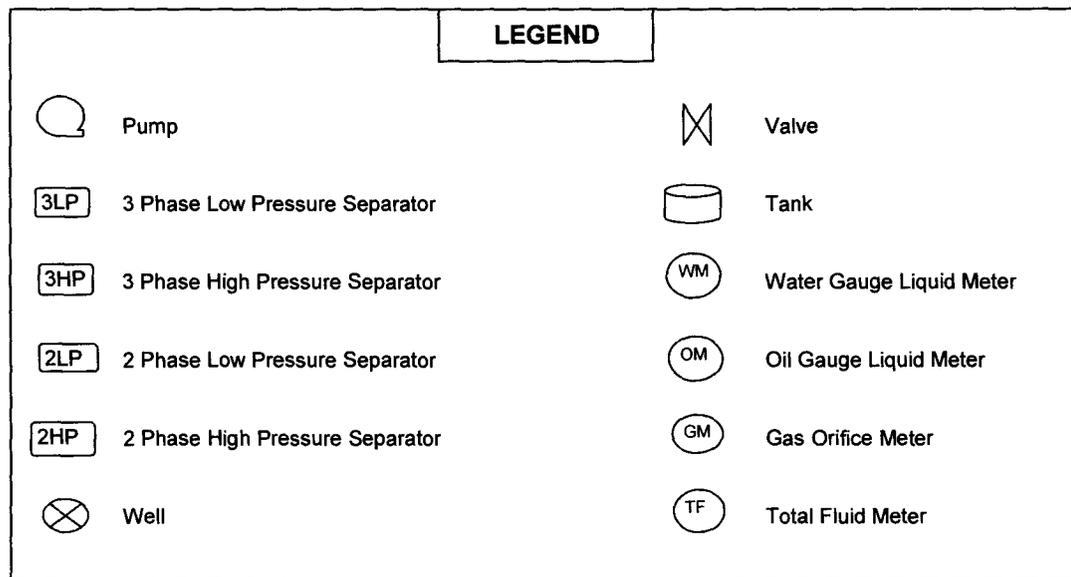
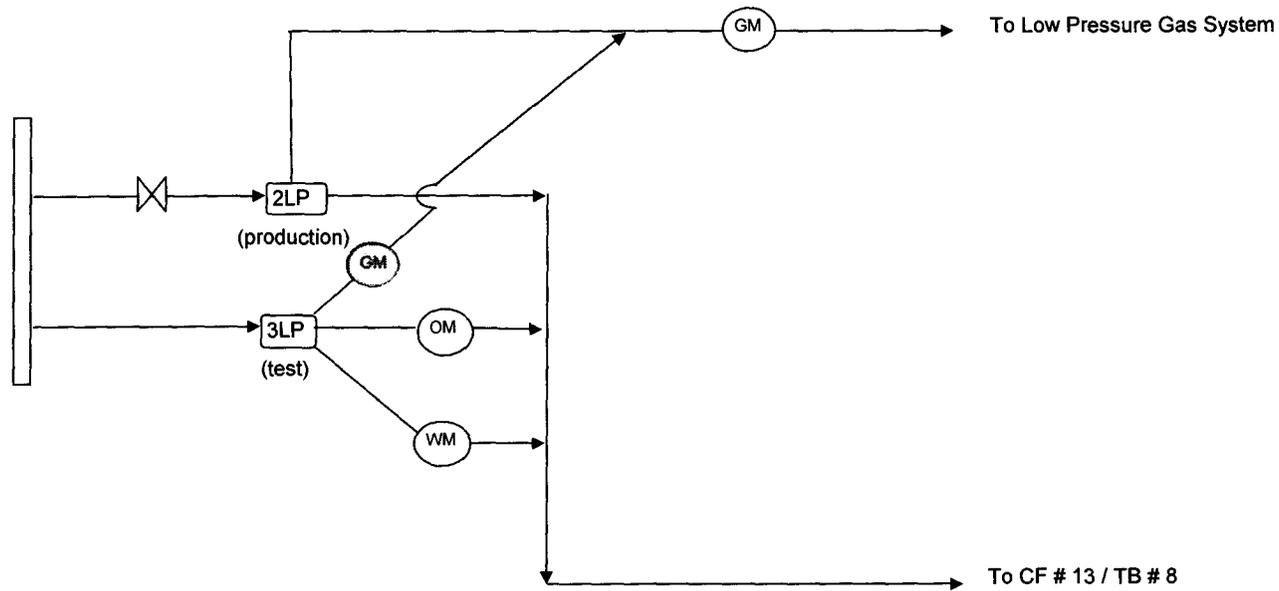
Cc: Linda Trahan
Hilcorp Energy Company
PO Box 61229
Houston, Texas 77208

Mr. Richard Hudson
District Manager
Office of Conservation
825 Kaliste Saloom Road
Brandywine III, Suite 220
Lafayette, Louisiana 70508



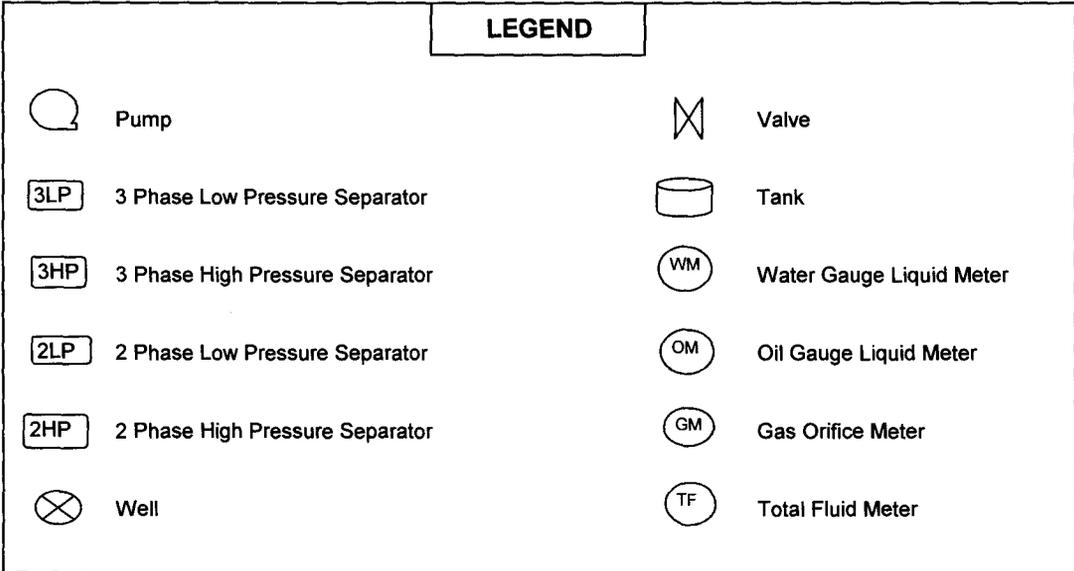
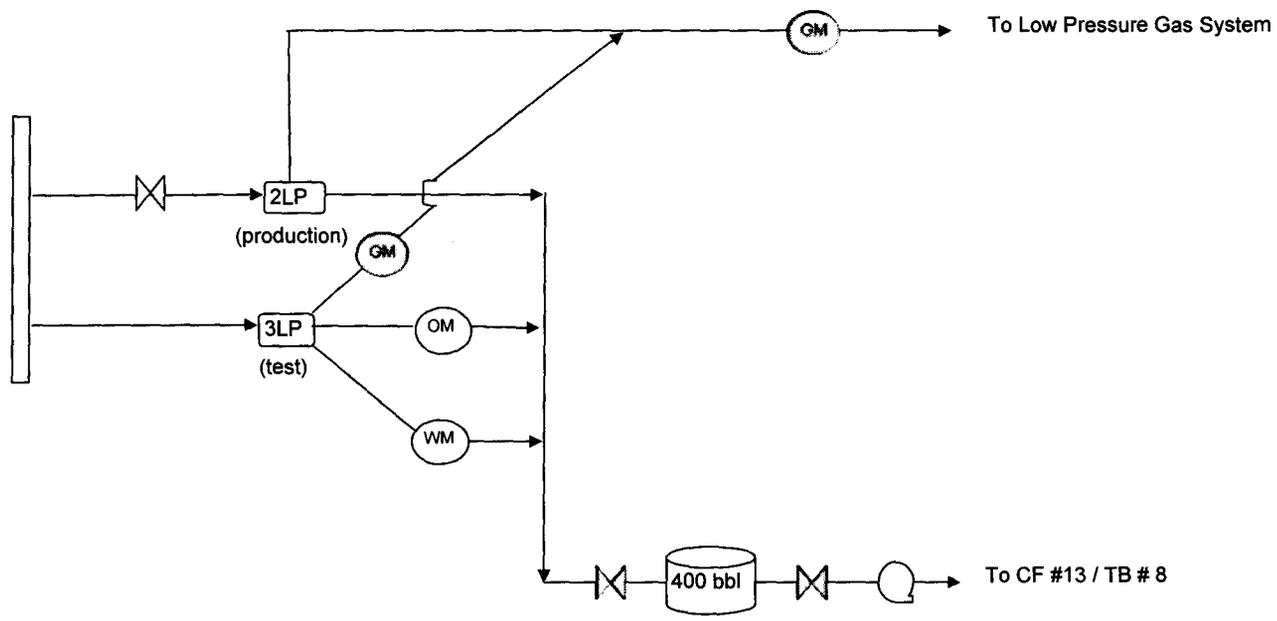
Commingling Facility No. 13
 Remote Platform A (CF 8/TB 7)
 Hilcorp Energy Company
 Caillou Island Field
 July 7, 2006

⊗
 SL 188 (oil)
 25 R078 SUA
 CI E-5 R010 SU
 CI E-2 RD SU
 CI U-31 R076 SU
 CI U-31 RE-2 SUA
 L-25 R078 SUA
 22 R080 SUA

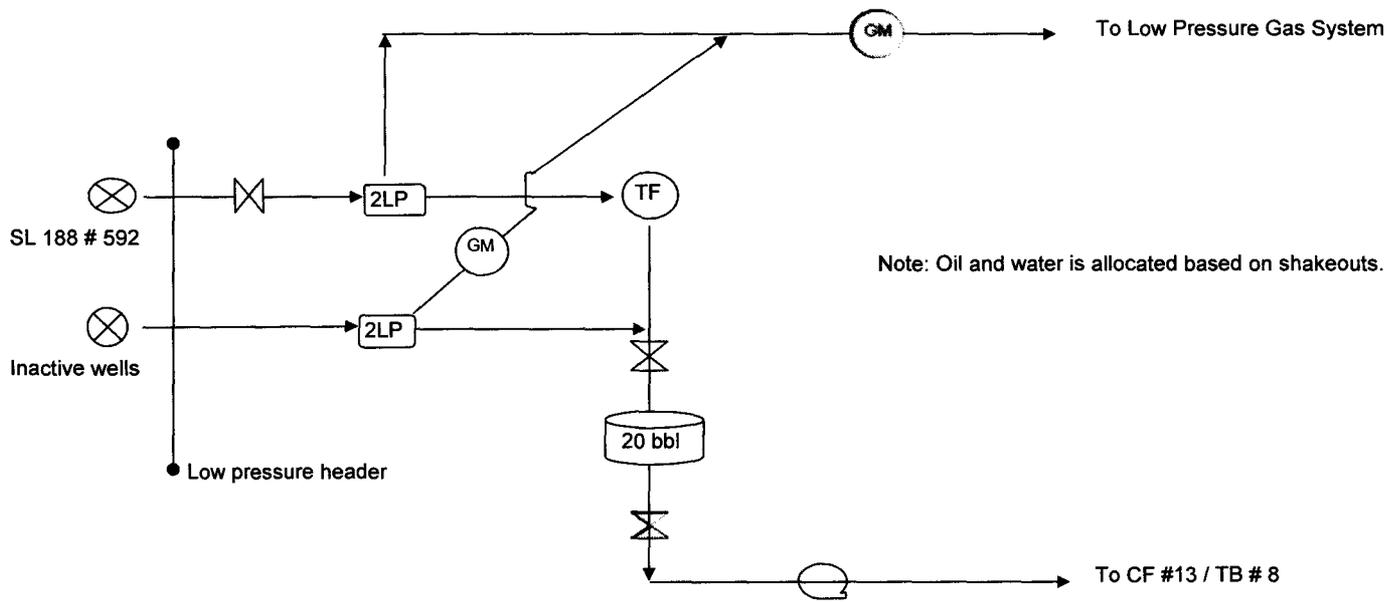


Commingling Facility No. 13
 Remote Platform B (TB 22)
 Hilcorp Energy Company
 Caillou Island Field
 July 7, 2006

⊗
 SL 188 (#304)
 SL 2703 (#18)
 CI TB 23 RB SU
 VUH
 CI TB 2 RBI VU
 LL&E / BOYNE
 U 70 A2 R040 SUA
 9800 RD SUA
 73 R027 SUA
 E.B. Boyne



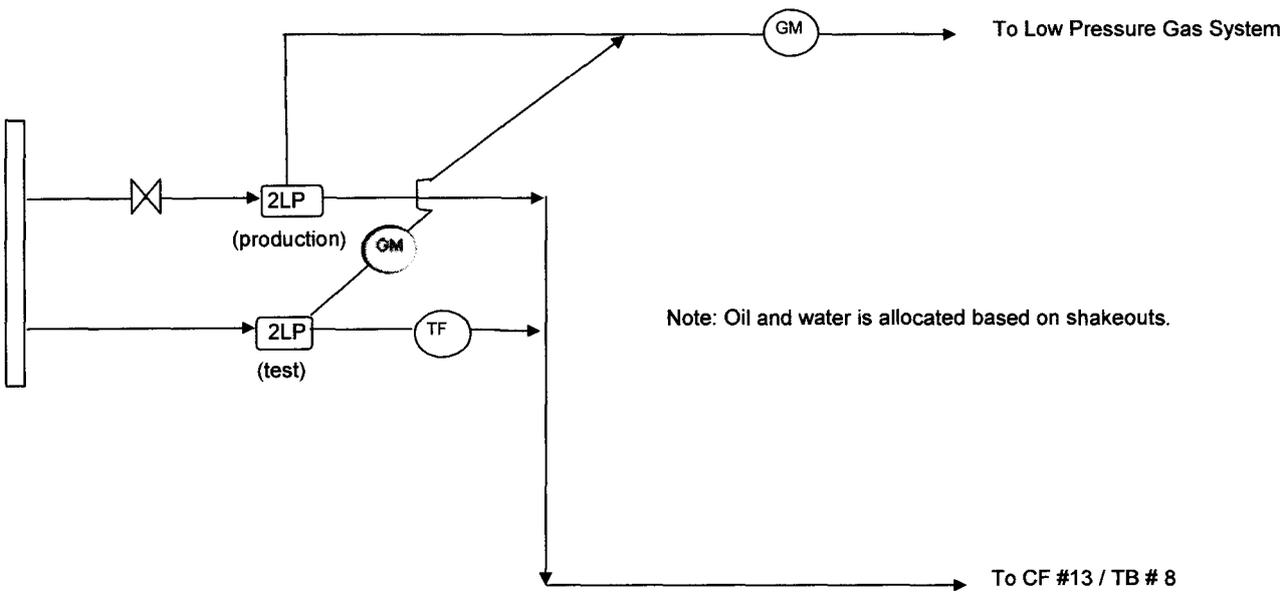
Commingling Facility No. 13
 Remote Platform C (TB 25)
 Hilcorp Energy Company
 Caillou Island Field
 July 7, 2006



LEGEND			
	Pump		Valve
	3 Phase Low Pressure Separator		Tank
	3 Phase High Pressure Separator		Water Gauge Liquid Meter
	2 Phase Low Pressure Separator		Oil Gauge Liquid Meter
	2 Phase High Pressure Separator		Gas Orifice Meter
	Well		Total Fluid Meter

Commingling Facility No. 13
 Remote Platform D (CF #2/TB # 15)
 Hilcorp Energy Company
 Caillou Island Field
 July 7, 2006

⊗
 SL 2986
 14800 R080 SUA
 CI L 14000 RA SU
 L 15000 R560 SUA
 LWR X R080 SUA
 L 15000 STR R550 SUA

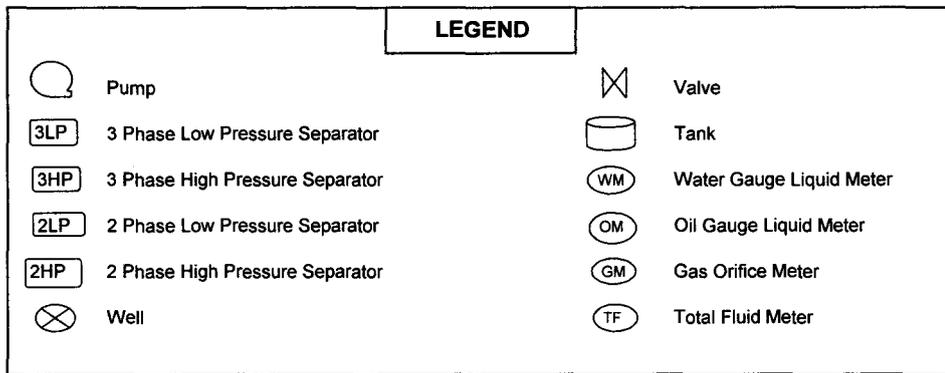
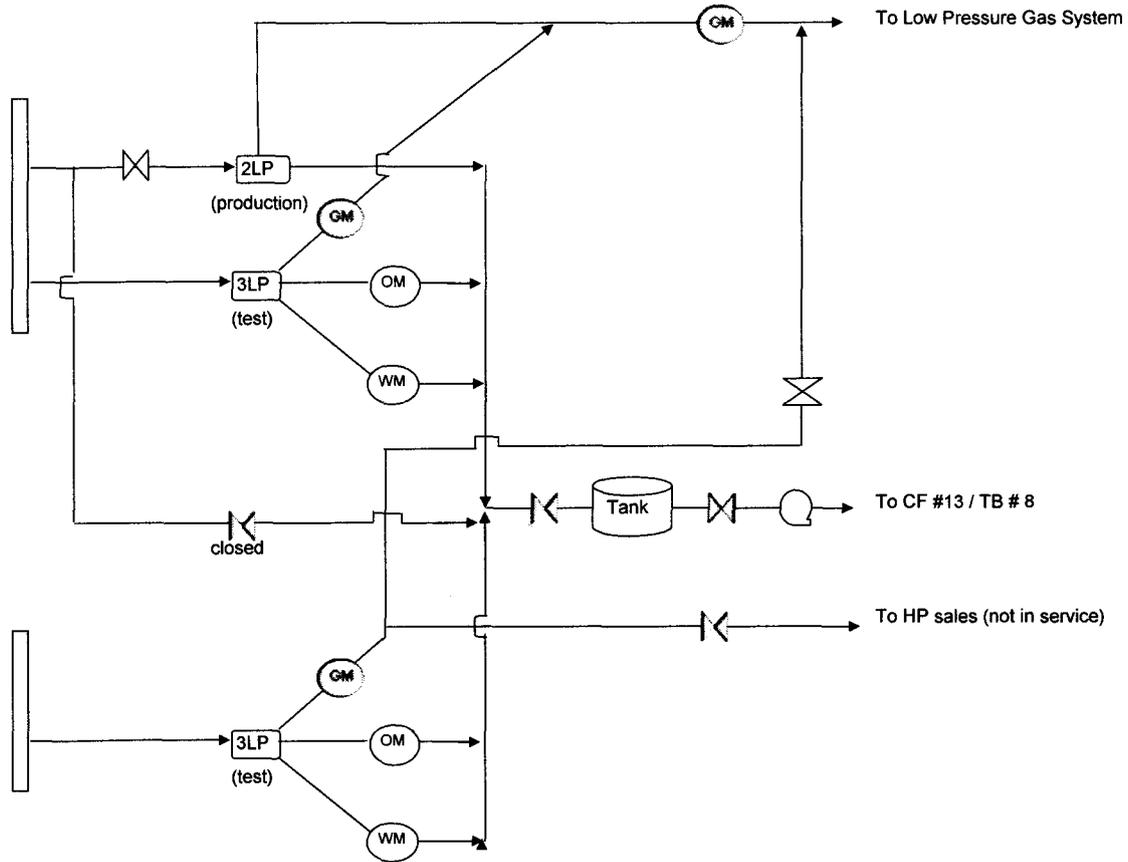


LEGEND			
	Pump		Valve
	3 Phase Low Pressure Separator		Tank
	3 Phase High Pressure Separator		Water Gauge Liquid Meter
	2 Phase Low Pressure Separator		Oil Gauge Liquid Meter
	2 Phase High Pressure Separator		Gas Orifice Meter
	Well		Total Fluid Meter

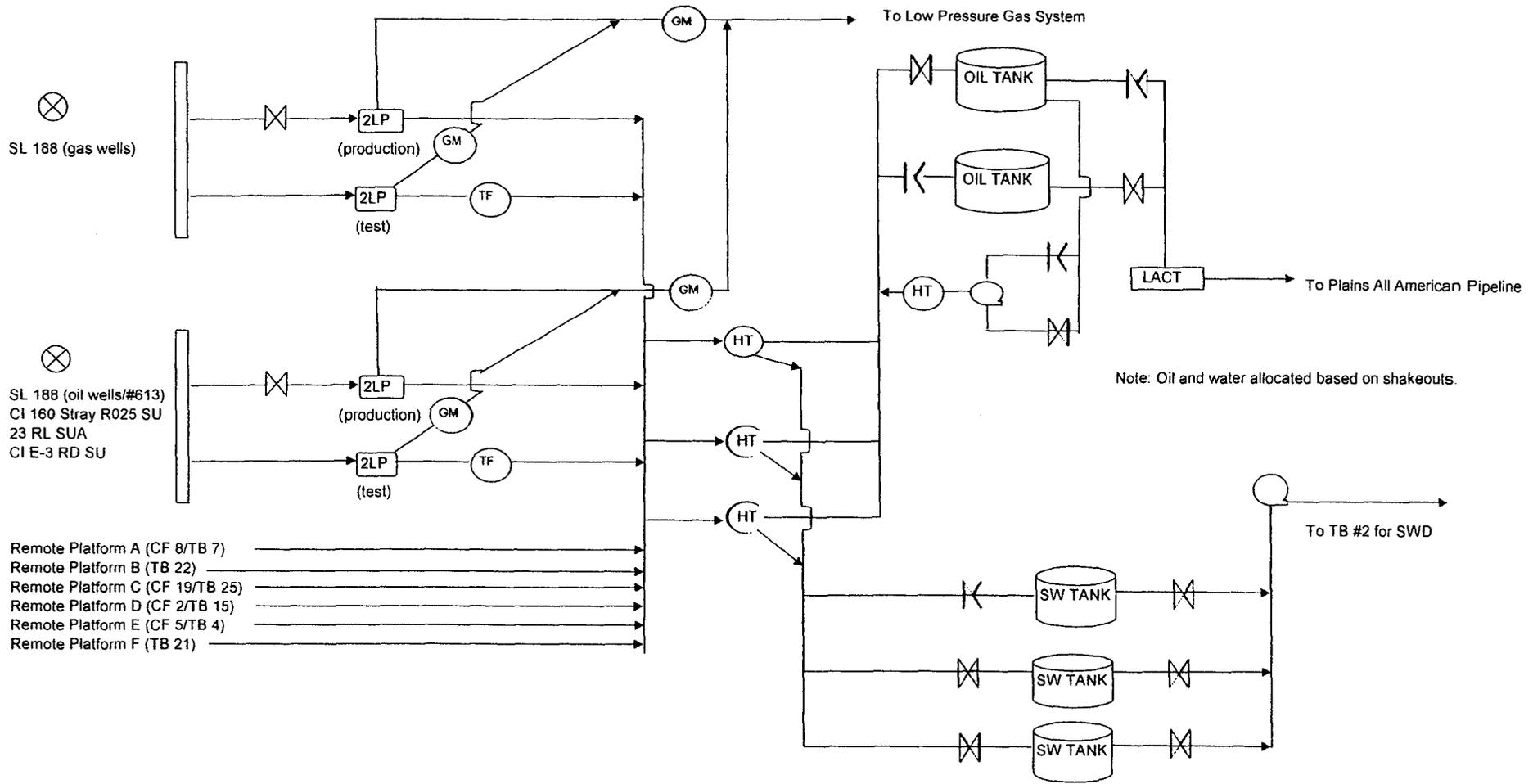
Commingling Facility No. 13
Remote Platform E (CF 5/TB 4)
Hilcorp Energy Company
Caillou Island Field
July 7, 2006

⊗
SL 188 Wells

⊗
SL 188 #695



Commingling Facility No. 13
Remote Platform F (TB 21)
Caillou Island Field
July 7, 2006



Note: Oil and water allocated based on shakeouts.

LEGEND			
	Pump		Valve
	3 Phase Low Pressure Separator		Tank
	3 Phase High Pressure Separator		Water Gauge Liquid Meter
	2 Phase Low Pressure Separator		Oil Gauge Liquid Meter
	2 Phase High Pressure Separator		Gas Orifice Meter
	Well		Total Fluid Meter
	Heater Treater		

Commingling Facility No. 13
 Central Tank Battery (TB 8)
 Hilcorp Energy Company
 Caillou Island Field
 July 7, 2006

Description of Operation
Commingling Facility No. 13
Tank Battery No.s 4, 7, 8, 15, 21, 22, and 25
Caillou Island Field
Terrebonne Parish, Louisiana

This commingling facility consists of a series of Remote Separator Platforms (A, B, C, D, E and F) and the Central Tank Battery (Commingling Facility No. 13 / Tank Battery No. 8). All wells currently flowing through this system are considered low pressure. Three phase separators are used at Remote Separator Platforms A, B, C, and F. Two phase separators are used at Remote Separator Platforms D, E, and the Central Tank Battery. When using two phase separation, a liquid meter is used to determine total fluid volume and a graduated cylinder is used to calculate the percentage of oil and water. On a daily basis the operator adds up the theoretical production based on well tests and run time to compare against actual production.

Remote Separator Platform "A"
(Formerly CF #8 TB #7)

Production from SL 1247, SL 1249, SL 2856, and SL 301 flows to a common system of low pressure separators and meters. Total flow from individual wells can be directed to either the 2 phase low pressure production separator or the 3 phase low pressure test separator. At the test separator the oil, gas, and water are separated and measured from each well on a monthly basis. Liquid production flows through the production separator or test separator prior to flowing on to Tank Battery No. 8 where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure.

Remote Separator Platform "B"
(Formerly TB # 22)

Production from SL 188 (oil), CI E-5, R010 SU, CI E-2 RD SU, CI U31 R076 SU, U31 RE-2 SUA, L 25 R078 SUA, 22 R080 SUA, and 25 R078 SUA flows to a common system of low pressure separators and meters. Total flow from individual wells can be directed to either the 2 phase low pressure production separator or the 3 phase low pressure test separator. At the test separator the oil, gas, and water are separated and measured from each well on a monthly basis. Liquid production flows through the production separator or test separator prior to flowing on to Tank Battery No. 8 where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure.

Remote Separator Platform "C"

(Formerly CF #19 TB # 25)

Production from SL 188, SL 2703, VUH, CI 23C R031 SU, CI TB 23 RB SU, CI TB 2 RB1 VU, LL&E/Boyne, U 70 A2 R040 SUA, 9800 RD SUA, 73 R027 SUA, and E B Boyne flows to a common system of low pressure separators and meters. Total flow from individual wells can be directed to either the 2 phase low pressure production separator or the 3 phase low pressure test separator. At the test separator the oil, gas, and water are separated and measured from each well on a monthly basis. Liquid production flows through the production separator or test separator prior to flowing on to Tank Battery No. 8 where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure.

Remote Separator Platform "D"

(Formerly CF #2 TB # 15)

Production from SL 188 flows to a common system of 2 phase low pressure production separators and meters. Total flow from individual wells can be directed to either the 2 phase low pressure production separator or the 2 phase low pressure test separator. At the test separator the gas and liquids are separated and measured from each well on a monthly basis. Oil and water volumes at the test separator are calculated using shakeouts from fluid samples using a graduated cylinder to determine the percentage of oil and water. Liquid production flows through the production separator or test separator prior to flowing on to Tank Battery No. 8 where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure. Currently, the SL 188 # 592 is the only well producing to this platform. The shakeout on this well is also conducted monthly.

Remote Separator Platform "E"

(Formerly CF #5 TB # 4)

Production from SL 2986, 14800 R080 SUA, CI L 14000 RA SU, L 15000 R560 SUA, LWR X R080 SUA, and L 15000 STR R550 SUA flows to a common system of 2 phase low pressure production separators and meters. Total flow from individual wells can be directed to either the 2 phase low pressure production separator or the 2 phase low pressure test separator. At the test separator the gas and liquids are separated and measured from each well on a monthly basis. Oil and water volumes at the test separator are calculated using shakeouts from fluid samples using a graduated cylinder to determine the percentage of oil and water. Liquid production flows through the production separator or test separator prior to flowing on to Tank Battery No. 8 where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure. Shakeouts are conducted monthly.

Remote Separator Platform "F"

(Formerly TB # 21)

Production from SL 188, individual wells, flows to a common system of low pressure separators and meters. Total flow can be directed to either the 2 phase low pressure production separator or the 3 phase low pressure test separator. At the test separator the oil, gas, and water are separated and measured from each well on a monthly basis. Liquid production flows through the production separator or test separator prior to flowing on to Tank Battery No. 8 where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure.

The SL 188 # 695 well has its own production skid located at TB 21 (Remote Platform F). The skid consists of a 3 phase separator and orifice gas meter. Gas from this well is measured and flows into the LP gathering system. Oil and water are measured individually and then flow into a holding tank before being pumped to TB 8 where it is treated and commingled with oil production from other remote platforms. SL 188 # 695 is hooked up with the capability of flowing gas directly to a HP gas meter (ChevronTexaco sales line) once the HP pipeline is restored to service. When this occurs, liquids will continue to dump from the LP separator and flow as above. Well test from this well will be gauged once per month, and allocated, in the same manner as all other wells from SL 188 at this platform.

Tank Battery No. 8

Production from SL 188 (oil and gas wells), CI 160 Stray R025 SU, 23 RL SUA, and CI E-3 RD SU flows to a common system of low pressure separators and meters. Total flow from individual wells can be directed to either the 2 phase low pressure production separator or the 2 phase low pressure test separator. At the test separator the gas and liquids are separated and measured from each well on a monthly basis. Oil and water volumes at the test separator are calculated using shakeouts from fluid samples using a graduated cylinder to determine the percentage of oil and water. Liquid production flows through the production separator or test separator prior to flowing on to storage where it is treated and commingled with oil production from other tank batteries in this system. Gas flows through the separators and is metered prior to flowing to the Low Pressure Gas System. All wells entering this platform are considered low pressure. Shake outs are conducted for each monthly well test.

All liquid production from the above mentioned facilities flow to emulsion treaters prior to entering commingled storage. Liquid production can be pumped from any stock tank to the facility's common circulating treater and back to commingled storage. The total volume of commingled liquid production sent to sales is measured by a L.A.C.T. unit. Produced saltwater is commingled and pumped to Tank Battery No. 2 for disposal by deep well injection.

Liquid and gas production are allocated back to each property on the basis of individual well tests conducted at least once per month.

A portable master meter is used to calibrate all of the liquid meters. The master meter is proved through a prover tank built in accordance with API Code 1101.). The allocation meters will be tested and proven monthly for liquid hydrocarbon meters and quarterly for gaseous hydrocarbon meters.

Flared gas is metered. Liquids recovered by the common gas stripper are of a minute quantity and are not metered prior to entering commingled storage.

Gas Allocation

Metered low pressure gas entering the low pressure system travels to either the Eastside Compressor Station, Tank Battery 4 Compressor Station, or Westside Compressor Station. The high pressure gas leaving the compressor stations is then metered for gas lift in the Caillou Island Field. Any gas produced in excess of the gas lift requirements is metered at the field exit meter and spills over to the Texaco Pipeline in Caillou Island Field. Gas metered at the field exit meter is allocated to meters leaving each commingling facility and then to individual wells based on well tests conducted monthly. Any overflow of low pressure gas (which generally occurs when a compressor is down for repairs or maintenance) can flow through a LP gas meter and be compressed at the Hilcorp operated Lake Barre Compressor Station No. 1. Any gas compressed at Lake Barre Compressor Station No. 1 is measured and allocated back to wells in the Caillou Island Field. The liquids which are recovered at the compressor station scrubbers flow to a stock tank at the Caillou Island Tank Battery No. 4 and Eastside Compressor Station. The stock tank is manually gauged daily. Shake outs are used to determine the water content. Liquids from the scrubbers are allocated back to each contributing property based on metered low pressure gas volumes.