



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

Energy Research Services, Inc.

April 20, 2007

Commissioner James H. Welsh
Office of Conservation
PO Box 94275
Baton Rouge, LA 70804-9275
Attention: Mr. Tod Keating

Re: Request for Commingling Authority
49 R203 SUA (613715)
Paradis Commingling Facility No. 3 (930640)
Hilcorp Energy Company
Paradis Field
St Charles Parish, Louisiana

Dear Commissioner Welsh,

Pursuant to the provisions of Title 30 of the Revised Statutes of 1950, application is made on behalf of Hilcorp Energy Company (Hilcorp) for the calling of a public hearing after ten-day legal notice, to consider evidence relative to the issuance of an order to commingle hydrocarbons from the 49 R203 SUA (613715) with units and leases previously approved for commingling at the Paradis Commingling Facility No. 3 (930640) by means of well test. The subject facilities are located in the Paradis Field, St Charles Parish, Louisiana. The methods of measurement and allocation previously approved at Commingling Facility No. 3 will remain the same.

Historically, Hilcorp, has been unable to get one hundred percent of the Royalty and Working Interest Owners to execute the agreement necessary for this proposal. This application is being made, on behalf of Hilcorp, pursuant to Statewide Order 29-D-1. The method of measurement and allocation of production which Hilcorp is proposing is explained in the attached description of operations and schematic flow diagram for Commingling Facility No. 3. As indicated, the production will be allocated by monthly well test, using methods other than gauge tanks. Hilcorp requests that a hearing be called so that Hilcorp may present evidence to substantiate its proposal for the utilization of monthly well tests in lieu of gauge tanks for the allocation of said production.

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
- Order No.s 37-34 and 37-35
- Order No. 37-KK



The applicable authority will be 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.

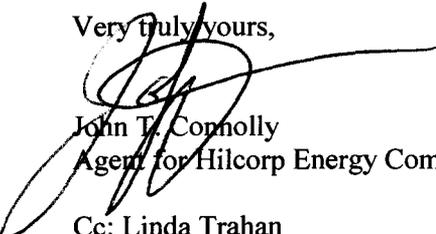
In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation 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.

A copy of this application and attachments, is being sent to Mr. Richard D. Hudson, District Manager, Office of Conservation, Lafayette, Louisiana. Hilcorp will provide for the advertisement of the legal notice in a newspaper of general circulation in the vicinity of the Paradis Field and also will post the legal notice in a prominent place in the area of the field. 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 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
Michael Schoch
Hilcorp Energy Company

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

**DESCRIPTION OF OPERATION
COMMINGLING FACILITY NO. 3
PARADIS FIELD
ST. CHARLES PARISH, LOUISIANA**

Each Hilcorp operated well in the Paradis Field flows full well stream to the common production header at the Paradis Commingling Facility No. 3 (PCF3). At the PCF3 common production header the well streams can either be combined for deliver to either a Bulk Separation System or individually dedicated to a Test Separation System. Both the Bulk and Test Separation Systems contain the necessary equipment to separate and meter the liquid hydrocarbons, gaseous hydrocarbons, and produced water.

In the Bulk Separation System, high pressure wells are delivered to a two phase high pressure separator where the gaseous hydrocarbons are separated from the fluids. The gas is scrubbed for water and commingled with compressed low pressure gas, dehydrated and metered for sales, gas lift, or fuel. The fluids from the two phase high pressure bulk production separator, and low pressure wells from the production header, are delivered to the three phase low pressure bulk production separator where gas, oil, and saltwater are separated. Low pressure wells in the Bulk Separation System are routed directly to the three phase low pressure bulk production separator. The gas separated at the low pressure bulk production separator is scrubbed for water, compressed, commingled with high pressure gas from the high pressure two phase bulk and test separators, dehydrated, and metered for sales, gas lift, or fuel use. The oil from the three phase low pressure bulk production separator is metered and delivered to the fixed roof storage tank to be commingled with oil from the PCF3 Test Separation System. Total commingled oil delivered to pipeline sales is measured by strapping the oil tanks prior to and after each run. Saltwater from the three phase low pressure bulk separator is metered, commingled with saltwater from the three phase low pressure test separator, and delivered to fixed roof storage prior to disposal by deep well injection.

In the Test Separation System, high pressure wells are delivered to a two phase high pressure separator where the gaseous hydrocarbons are separated from the fluids. The gas is metered and commingled with compressed low pressure gas, dehydrated and metered for sales, gas lift, or fuel. The fluids from the two phase high pressure test separator are delivered to the three phase low pressure test separator where gas, oil, and saltwater are separated. Low pressure wells in the Test Separation System are routed directly to the three phase low pressure test separator. The gas separated at the low pressure test separator is metered, compressed, commingled with high pressure gas from the high pressure two phase bulk and test separators, dehydrated, and metered for sales, gas lift, or fuel use. The oil from the three phase low pressure test separator is metered and delivered to the fixed roof storage tank to be commingled with oil from the PCF3 Bulk Separation System. Total commingled oil delivered to pipeline sales is measured by strapping the oil tanks prior to and after each run. Saltwater from the three phase low pressure test separator is metered, commingled with saltwater from the three phase low pressure bulk production separator, and delivered to fixed roof storage prior to disposal by deep well injection.

The liquids generated in the scrubbers are minimal, piped to the fixed roof commingled saltwater storage, and not metered.

All gas lift gas is individually metered at each well head, for wells on gas lift.

Explanation of Well Test

A wells' production will be determined by monthly well test conducted for a period of not less than twenty-four (24) hours, once per month. The individual well stream is diverted into a test header where it flows into a two phase high pressure and/or three phase low pressure test separator. From there the liquid hydrocarbons are directed to a calibrated turbine meter before going to commingled tankage where it is to be sold. Prior to delivery to the crude oil pipeline, the oil is measured by strapping the commingled storage tanks prior to and after each run. The tanks being pumped to pipeline will not be produced to during a sales run.

Gaseous hydrocarbons will be metered at the two phase high pressure and/or three phase low pressure test separators by orifice meters. Tests will be conducted for a minimum of twenty-four (24) hours once per month. Low pressure gas flows from the test separator to compression. The compressed gas is scrubbed, dehydrated, and sold or used for fuel or gas lift. Gas sales will be apportioned from the gas sales meter. Gas meters will be calibrated quarterly.

Oil production will be metered at the three phase low pressure test separator by liquid turbine meter. Each liquid meter will be calibrated monthly and a meter factor will be derived from the calibration test. All oil meters will be calibrated on a monthly basis by third party meter calibration services. The sales volume will be allocated to the wells based on the well tests described above.

Water production will be metered at the three phase low pressure test separator by liquid turbine meter.

For gas lift oil wells, input gas is measured and subtracted from output gas to arrive at a net or formation gas production volume for allocation purposes.

Explanation of Allocation

Oil: Total monthly oil sales are based on the volume of oil measured by strapping the fixed roof storage tanks prior to and after a sales run to the crude oil pipeline, plus the closing inventory volumes less the opening inventory volumes in each of the commingled storage tanks. Based on the volume of oil measured, oil will be allocated back to each well based on the total metered volumes of oil delivered from each well. The liquid hydrocarbon test rates will be adjusted for both BS&W and a flash shrinkage factor to correct the rates to stock tank conditions. The shrinkage factors will be determined semi-annually. BS&W will be determined bi-monthly. These factors will be determined more frequently if dictated by changing well conditions.

The total theoretical oil production for a well during a calendar month will be determined by summing the products of the well test rates by the duration of flow to the corresponding well test rate. This calculation will include adjustments for shut in or down time periods.

Once the allocated oil volume is determined for the PCF3, as described above, individual oil production will be allocated to each well producing to the production header, based on the following formula:

$$\frac{\text{Individual Oil Test Volume}}{\text{Sum of Individual Oil Test Volumes}} \times \text{Total Allocated Monthly Oil Volume}$$

Gas: The total monthly gas is measured at the gas sales meter station.

At the PCF3, total theoretical gas, to be allocated back to each well entering the production header is the sum of gas sales, fuel gas, gas lift gas metered volumes, and any estimated volumes flared or vented. Gas lift gas is deducted from each well on gas lift by subtracting the gas lift metered volumes at each well on lift. The total gas volumes attributable to each well will be based on each wells' proportional fraction of the total theoretical gas production less the wells' proportional fraction of the gas volumes consumed as fuel, gas lift, and/or vented or flared.

Individual gas production will be allocated to each well based on the following formula:

$$\frac{\text{Individual Gas Test Volume}}{\text{Sum of Individual Gas Test Volumes}} \times \text{Total Gas Sales Volume} + \text{Fuel Gas} - \text{Metered Well Gas Lift Volume}$$

The total water production will be allocated to each individual well proportionately based on each wells' fraction of the total water theoretical production.

Measurement

A third party representative will prove the gas and liquid hydrocarbons sales meters monthly in accordance with Statewide Order No. 29-D-1. The gas and liquid hydrocarbon allocation meters will be proven periodically in accordance with industry standards published in Chapter 20 – Allocation Measurement, Manual of Petroleum Measurement Standards, First Edition, September 1993, American Petroleum Institute.

Royalty

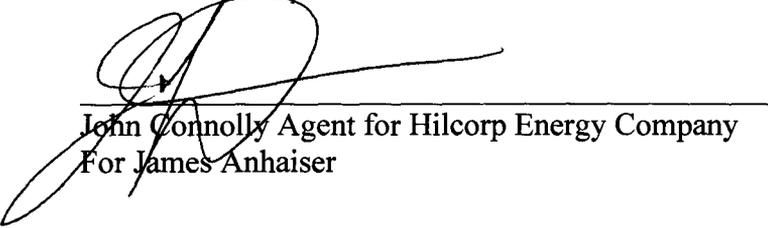
Royalty for gas production will be based on the total sales volume, as measured through the orifice meter prior to delivery to the gas sales meter.

Royalty for liquid hydrocarbon production will be based on the total liquid hydrocarbon sales as gauged by tank strapping prior to and after each sales run, and the opening and closing stocks and the end of each month.

June 10, 2007

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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, statues 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.



John Connolly Agent for Hilcorp Energy Company
For James Anhaier

**List of Leases and Units Approved for Commingling
at the Paradis Commingling Facility No. 3
Paradis Field
St Charles Parish, Louisiana**

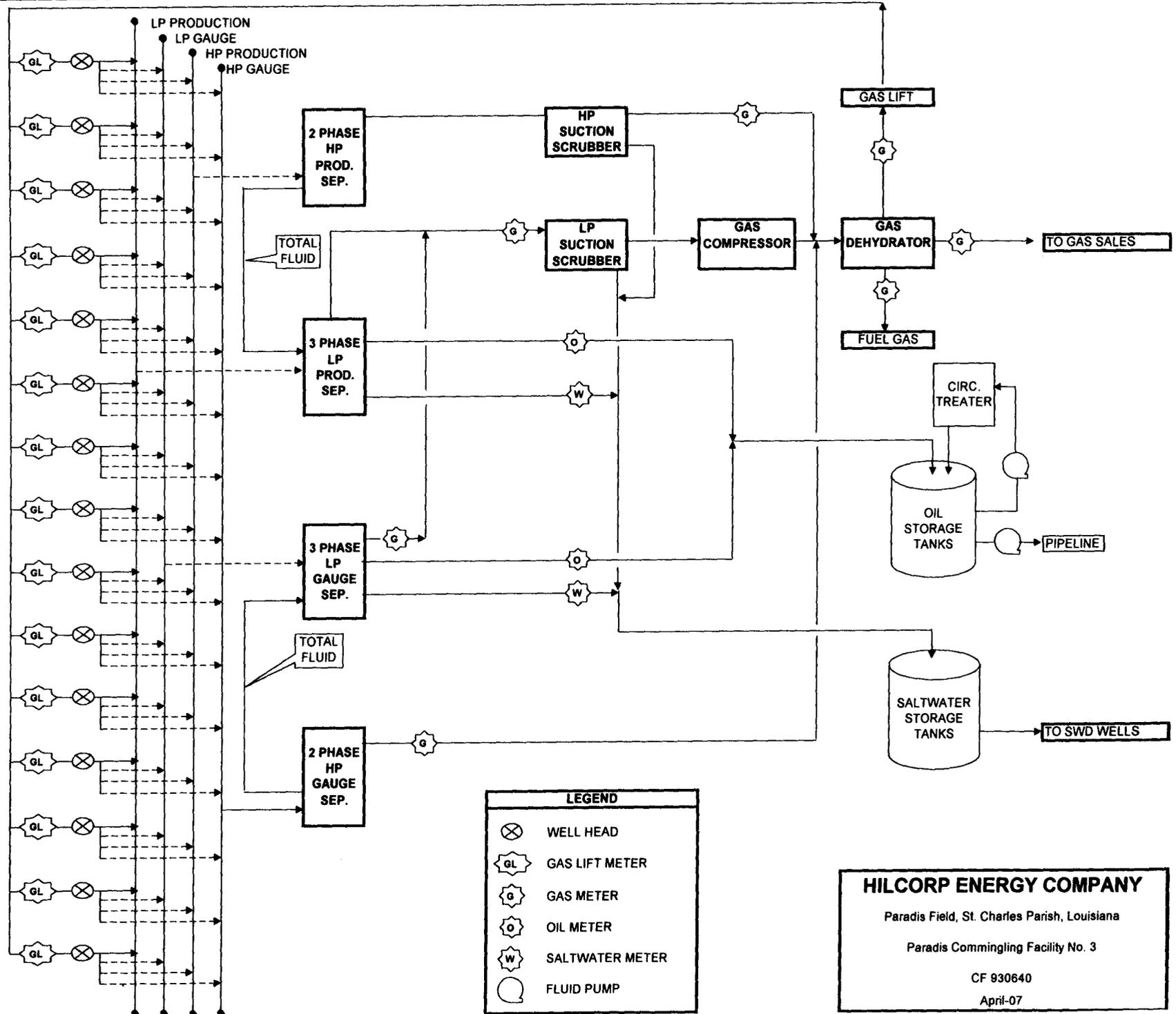
003387	LL&E PARADIS
004617	SUNSET REALTY & PLANTING CO
019492	PAR PZ RAB SU
028027	CLARK V SINGLETON
028136	EDWARD DANDEL
028539	JAMES BRANCH
028758	W E DUFRENE
030731	PARADIS SUG
600245	11800 R007 VUA
600837	9900 NAG RA SUM
600838	9900 NAG RA SUF
600840	9900 NAG RA SUK
600841	9900 NAG RA SUE
600842	9900 NAG RA SUL
600843	9900 NAG RA SUH
600844	9900 NAG RA SUJ
600845	PAR 11800 NAG RA SU
600848	10000 NAG RA SUC
600850	PAR 11500 RC SU
600852	10000 NAG RA SUD
600854	9500 NAG RA SUA
600857	8700 NAG RB SUA
600860	10000 RC SUF
600874	PAR 9500 NAG RA SU
600875	PAR 10000 NAG RA SU
600876	PAR 9900 NAG RA SU
603661	9900 NAG RA SUA
604442	U 9000 RA SUA
604458	PZ SU 261
604520	10000 RW SUA
604521	10000 RW SUB
604755	10100 RB SUA
604950	10700 RAB-1 SUA
605051	10200 RA SUA
605764	L 11000 RAB-1B SUA
605859	10000 RT SUA
605860	PAR 8700 NAG RA SU
606022	U 9000 RC-3 SUA
606023	U 9000 RC-4 SUA
609806	8 RC-3 SUA
611828	9700 RA VUA

**List of Leases and Units Approved for Commingling
at the Paradis Commingling Facility No. 3
Paradis Field
St Charles Parish, Louisiana
(CONTINUED)**

612848	8700 RC-2 SUA 10000 NAG RA SUB LP SYS COMP COND
224366	TEXAS & NEW ORLEANS RAILROAD CO
034911	L 9000 RF SUA
034836	L 9000 RE SUA
000025	10000 RC SUA
604755	10100 RB SUA
604442	U 9000 RA SUA
001045	10000 RC SUB
049303	PZ SU 261
604458	PZ SU 261
002937	PZ SU 260
600247	PZ SU 265
046888	U 9000 RE SUA
303370	VUB
605252	PARADIS SUG
030731	PARADIS SUG
304812	SUNSET REALTY & PLANTING CO
049461	SUNSET REALTY & PLANTING CO

LEASE/UNIT NAME MANIFOLD SYSTEMS

49 R 203 SUA
 PAR 10000 NAG RA SU
 PAR PZ RAB SU LL&E
 NO'S: 14,25,41,42,49,58,
 64,73,70,71,76,95,91D
 (Individually)
 9900 NAG RA SUM
 9700 RA VUA
 U 9000 RE SUA
 9900 NAG RA SUK
 10000 RC SUF
 8 RC3 SUA
 LL&E PARADIS
 No.s 78 & 93
 (Individually)
 PARADIS SUG
 PZ SU261
 FUTURE WELL
 FUTURE WELL
 FUTURE WELL



HILCORP ENERGY COMPANY
 Paradis Field, St. Charles Parish, Louisiana
 Paradis Commingling Facility No. 3
 CF 930640
 April-07