

LISKOW & LEWIS

A Professional Law Corporation

822 Harding Street
Post Office Box 52008
Lafayette, LA 70505
(337) 232-7424 Main
(337) 267-2399 Fax

www.Liskow.com

One Shell Square
701 Poydras Street, Suite 5000
New Orleans, LA 70139
(504) 581-7979 Main
(504) 338-4108 Fax

First City Tower
1101 Fannin, Suite 1800
Houston, TX 77002
(713) 551-2300 Main
(713) 571-2908 Fax

December 17, 2007

Richard W. Revels, Jr.
rwrevels@liskow.com

Honorable James H. Welsh
Commissioner of Conservation
Office of Conservation
P. O. Box 94275
Baton Rouge, LA 70804-4275

Re: Commingling Application
West Delta Area Commingling Facility No. 3 (955200)
7600 RB SUA; SL 18936 No. 1 Well (SN 235482)
West Delta Block 52 Field, Plaquemines Parish, Louisiana

Dear Commissioner Welsh:

Application is hereby made on behalf of **PALM ENERGY OFFSHORE, L.L.C.** for the calling of a public hearing after legal notice to consider the following matters:

1. To permit the applicant to commingle production from the 7600 RB SUA and from the designated unit well, the Palm Energy Offshore, L.L.C. – State Lease 18936 No. 1 Well, and any future substitute or alternate unit wells, at its West Delta Area Commingling Facility No. 3, in the West Delta Block 52 Field, Plaquemines Parish, Louisiana, by use of monthly well tests in the manner described in the narrative and shown on the schematic attached hereto and made a part hereof.
2. To grant such exceptions to Statewide Order No. 29-D-1 as are required by the proposed procedure and to grant such additional authority and approval that may be needed for such procedure.
3. To consider such other matters as may be pertinent.

The proposed 7600 RB SUA is currently pending before the Commissioner of Conservation under Docket 07-1423. A public hearing was held on December 6, 2007, and Palm anticipates that an order creating a unit for this reservoir will be issued in the near future. By this request, Palm simply seeks to add this new unit to the authority Palm already has as operator of the commingling facility, and production will be commingled in the same manner as previously approved.

It is the opinion of Palm Energy Offshore, L.L.C. that the use of well tests for allocation of production in the manner proposed will provide reasonably accurate measurement, will not create inequities, and will afford the owner of any interest the opportunity to recover his just and equitable share of production. The applicant was unable to obtain 100% approval from the interested parties; and for that reason, it is requesting this matter to be set for hearing.

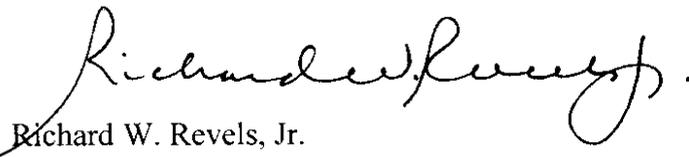
Attached hereto and made a part hereof are:

- a) Narrative explanation of the manner in which commingling will be accomplished
- b) Commingling Schematic
- c) List of Interested Owners, Represented Parties, Interested Parties

Copies of this application with attachments are being mailed to the Commissioner of Conservation and to the Lafayette District Manager of the Office of Conservation. All interested parties are also being mailed the first two attachments and will be mailed the list of parties upon request. Finally, enclosed is our check on behalf of the applicant, Palm Energy Offshore, L.L.C., in the amount of \$755.00 made payable to the Office of Conservation and representing the required application fee.

Sincerely,

LISKOW & LEWIS



Richard W. Revels, Jr.

RWRjr:dbf
Attachments
209968_1
68818.0004

cc: Mr. Richard Hudson, Lafayette District Office of Conservation
cc: All parties on attached list

**COMMINGLING NARRATIVE
PALM ENERGY OFFSHORE, L.L.C. (P249)
WEST DELTA AREA CF NO. 3 (#955200)**

**ADDITION OF PALM ENERGY OFFSHORE, L.L.C.
7600 RBSUA;SL 18936 WELL NO. 1 (SN 235482)
WEST DELTA BLOCK 52 FIELD (9528)
PLAQUEMINES PARISH, LA**

Page 1 of 3

Measurement at Commingling Facility

Production from the 7600 RB SUA; SL 18936 Well No. 1 flows full wellstream to the West Delta 52 Platform where it is combined with production from other low pressure wells and shipped to the West Delta CF No. 3 via pipeline where it is processed and sold as described below. The well is tested on a monthly basis (at a minimum) at the West Delta 52 Platform.

Production from the Red Willow Offshore, LLC VUA; SL 18383 Well No. 1 flows full wellstream (mostly gas) to the production manifold located at the Palm Energy Offshore, L.L.C. ("Palm") West Delta Area CF No. 3 (WD 54 Platform). The gas from the high pressure separator is combined with gas from other wells at West Delta Area CF No. 3, and then flows through the gas sales meter prior to departing the platform by pipeline. The combined fluids from the three-phase high pressure separator are routed to a three-phase low pressure separator, where the oil and water are separated. The low pressure gas is routed to the compressor where it combines with low pressure gas from other wells at West Delta CF No. 3, is compressed and then flows through the gas sales meter. The separated oil flows through a treater where it is combined with oil from other wells at West Delta CF No. 3, flows to the storage tank and is then pumped through a LACT unit for final measurement and then to the sales pipeline.

Production from SL 18448 A001 and SL 2549 flows into a header at the West Delta Area CF No. 3 (WD 54 Platform) where it is combined with production from SL 979 and WDB53 LR SU. At the facility, production from individual wells can be routed to the 3-phase Test Separator where oil, gas, and water are separately metered. The bulk production is combined with production from West Delta Block 52 Platform (individual wells are tested at the WD 52 Platform prior to flowing to the West Delta Area CF No. 3). Bulk production flows through the 3-phase L.P. Separator at the commingling facility. Oil flows through the LACT for sales and gas flows through a gas sales meter prior to departing the platform by pipeline.

Allocation Methodology

It is proposed that the allocation of gas production to the individual wells be based upon monthly well tests and the monthly flow times of each well. In the case of high pressure wells, the liquid hydrocarbons produced at the high pressure condition will be sampled monthly for to obtain the shrink factor that should be applied to determine the liquid volume at the low pressure condition. The LP liquid hydrocarbon volume thus obtained will be deemed to be the true liquid test volume for those HP wells. The allocation is determined on a monthly basis and computed by applying a factor to each well's monthly test volume. The factor is determined by a fraction of which the numerator is the total volume of all gas processed (total gas being the summation of sales gas, fuel gas and vented gas) at West Delta Area CF No. 3 and the denominator of which is the total well test volume.

It is proposed that the allocation of oil production to the individual wells be based upon monthly well tests and the monthly flow times of each well. The allocation is determined on a monthly basis and computed by applying a factor to each well's monthly test volume. The factor is determined by a fraction of which the numerator is the total volume of all oil sold at the LACT at West Delta Area CF No. 3 and the denominator of which is the total well test volumes.

Well Testing

Testing of all wells will be conducted monthly as a minimum and be of a minimum of four hours duration after stabilization in the test separator system. As previously approved, well tests of the SL 18448 A001 will be conducted at West Delta Area CF No. 3. It will be necessary to shut in the SL 2549 wells (#11D [SN 14916] and #12T [SN 142049]; #13 is depleted and shut-in) in order to conduct the test. Likewise, SL 18448 A001 will be shut in when testing either the SL 2549 #11D or #12T wells. It is anticipated that when each well is tested, there will be a stabilization period of 2 hours to allow flow line flushing before the test begins. The well will then be tested for a minimum of four hours and at the conclusion of the test, the two wells that have been shut in to allow the testing will be immediately returned to production. In the event Palm adds production in the future from additional wells on SL 18448, written notification will be made to Office of Mineral Resources and other appropriate State regulatory offices. The current commingling procedure will be re-evaluated at that time to determine if it remains satisfactory for the additional SL 18448 production.

Meter Calibration

In order to ensure accuracy of the tests, the separator gas meters will be calibrated monthly (as is the gas sales meter), and the liquid hydrocarbon meters at the separators will be proven monthly. The LACT meters are proven monthly.

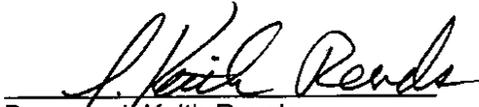
APPLICANT'S STATEMENT

In the opinion of the applicant, the commingling of liquid and gaseous hydrocarbons in the manner described herein, will provide reasonably accurate measurement, will not

West Delta Area CF No. 3
Commingling Narrative
Page 3 of 3

create inequities, and the owner of any interest will have the opportunity to recover his just and equitable share of all hydrocarbons produced.

Date: November 20, 2007


By: J. Keith Revels
Title: Production Manager

