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Baton Rouge, Louisiana 70809
225-753-4723
225-753-4661 (fax)

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Energy Research Services, Inc.

January 13, 2009

Commissioner James H. Welsh
Office of Conservation
PO Box 94275
Baton Rouge, LA 70804-9275

Re: Request for Public Hearing
Hilcorp Energy Company
West Bay Commingling Facility No. 1(CF No. 937180)
West Bay Field
Plaquemines Parish, Louisiana

Dear Commissioner Welsh,

On behalf of Hilcorp Energy Company (Hilcorp), application is made, pursuant to Title 30 of the Revised Statutes of 1950 and Statewide Order 29-D-1, for the calling of a public hearing, after legal notice, to consider evidence relative to the issuance of an order approving the commingling in the West Bay Commingling Facility No. 1 (WBCF1) (937180) hydrocarbons produced from the following unit:

7 RN SUA;SL 19917 No. 1 (SN 239173) (LUW: Unit hearing pending) ⁶¹⁵⁴⁸⁹

This application will commingle the production from the above mentioned leases and/or units, at the WBCF1. The method of measurement and allocation currently approved at the WBCF1 is by well test.

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 diagram. As indicated, the production will be allocated by monthly well test, using methods other than gauge tanks. The subject facilities are located in the West Bay Field, Plaquemines Parish, Louisiana. The methods of measurement and allocation previously approved at the facility will remain the same.

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Attached are copies of the following:

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

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.

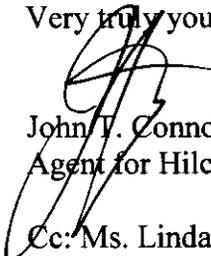
In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation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

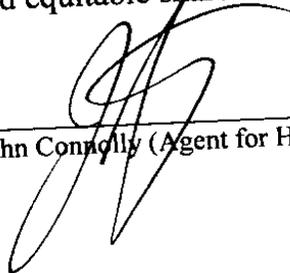


John T. Connolly
Agent for Hilcorp Energy Company

Cc: Ms. 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

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John Connelly (Agent for Hilcorp Energy Company)

HILCORP ENERGY COMPANY
WEST BAY COMMINGLING FACILITY
PLAQUEMINES PARISH, LOUISIANA

January 15, 2009

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**HILCORP ENERGY COMPANY
WEST BAY COMMINGLING FACILITY
PLAQUEMINES PARISH, LOUISIANA**

January 15, 2009

PURPOSE OF APPLICATION

Hilcorp Energy Company (Hilcorp) operates properties in the **West Bay Field** in Plaquemines Parish, Louisiana. In compliance with the provisions of Louisiana Statewide Order No. 29-D-1, (Title 43, Subpart 6, 1505.A.2), Hilcorp requests authority to commingle hydrocarbon production from the 7 RN SUA;SL 19917 No. 1, with leases and units which were previously approved for commingling based on well test at the Hilcorp Energy Company – West Bay Commingling Facility (Formerly West Bay South Pass 24 Commingling Facility No. 1 (937180)).

Hilcorp believes that this commingling application will reduce operating expenses, minimize environmental impact of construction and drilling activity, and through reduction of in-service equipment, lower the risk of environmental incidents without impacting the ability to allocate production properly. This change enhances the ability to recover natural resources and should extend the economic life of the wells.

This application packet includes:

- description of the proposed hydrocarbon flow, including a description of the proposed testing and allocation process,
- proposed new flow diagrams,
- list of properties, leases and units proposed for inclusion under this change, including a list of current wells,
- signed statement by the applicant regarding the accuracy of the proposed measurement scheme,
- Copies of relevant Orders,
- List of interested and represented parties,
- \$755.00 application fee.

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EXPLANATION OF FLOW DIAGRAMS

GENERAL

The proposed West Bay Field Commingling Facility (937180) consists of a;

- Facility for separation, testing, compression, dehydration, gas sales, oil treating, oil storage, and oil sales,
- Total flow inlet manifold,
- Gas lift distribution manifold,
- Remote wells

MANIFOLD SYSTEM

The flow of each well enters the *local header* system at the commingling facility. The production manifold at the facility routes production to either the bulk system or the well test system according to the following general description.

COMMINGLING FACILITY

At the Commingling Facility, all low pressure well production is routed via the manifold to either the low pressure three phase Test Heater or the three phase Bulk Separator.

- Low pressure gas separated in the Test Heater and Bulk Separator is combined and delivered to the suction scrubber, compressor, gas dehydrator, and then to sales to Sonat or the gas lift manifold.
- Dry high-pressure gas is discharged into the field's gas lift network for the lifting of low-pressure wells and to provide fuel and utility gas at the platforms. Excess gas is sold through orifice meters to SONAT.
- Liquids dumped from the Test Heater are metered and routed to the Bulk Separator. The oil is metered and routed to the Heater Treater.
- Scrubber dumps, compressor and dehydration drip and skimmed hydrocarbons from the produced water handling equipment and sumps are routed to the Heater Treater. Due to their deminimus volume, scrubber and sump hydrocarbons are not metered.
- The Heater Treater delivers merchantable oil to a stock tank for sale and transport by barge.
- Produced saltwater is dumped from the Bulk Separator to the saltwater tank for deep well injection.

Any high pressure well will have its dedicated high pressure three phase separator. High pressure gas will be metered from each well and delivered to the high pressure system downstream of the compressor. All oil and gas from the high pressure three phase separators will be metered, recombined, and delivered to the three phase Bulk Separator or to the low pressure test manifold (during well test).

MEASUREMENT SYSTEM

The Commingling Facility is equipped with a low pressure three-phase test heater treater and a low pressure three-phase bulk separator. Any future high pressure wells will be independently metered at their high pressure three-phase test separators.

- Low pressure wells are switched into the test system via the manifold.
- Gas, oil, and saltwater are separated and metered for allocation.

Gas Measurement

Gaseous hydrocarbons are measured by means of orifice meters equipped with either chart recorders or electronic flow computers at the Test Heaters /Separators.

- During a well test, gas is separated in the Test Heater/Separator and measured.
- For gas lifted wells, the injected gas volume is metered at the supply manifold or at the wellhead when the well goes on test.
- Well test and gaslift gas charts are read in the field.
- Gas testing and bulk allocation meters are designed with straightening vanes and adequate lengths of upstream and downstream pipe to meet applicable AGA standards.
- Recorders are calibrated on a quarterly basis.
- Sales gas is measured via the purchaser's orifice meter and associated equipment.
- Fuel usage is either measured by orifice or turbine meters or estimated through manufacturer's fuel consumption tables factored by operator-recorded equipment runtime.

Oil Measurement

During a well test, liquid hydrocarbons are metered as they depart the Test Heaters/Separators.

- The Oil to Water ratio in the separated oil stream is checked to confirm that adequate separation is occurring. The measured oil stream volume is manually adjusted per the results of a Shake Out analysis, or through automated BS&W sampling equipment, by deducting the BS&W percent.
- Liquid meters used for testing are of a commercially available turbine type. Each liquid meter is proved using a calibrated Master Meter or third party calibration company on a monthly basis.
- Oil is sold by strapping the oil sales tank before and after barge loading.

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PRODUCTION ALLOCATION

Well Testing

Wells shall be tested at least monthly, for a minimum period of four hours after stabilization in the test vessel, per the standards specified in Statewide Order 29-D-1.

- Any wells tested via a test pipeline from a remote header will flow a sufficient length of time to purge the pipeline and test separator before commencing test measurement.
- Wells that exhibit or develop rapidly changing conditions and erratic behavior, new drills and wells that have experienced extended shut-in or well work, shall be tested at a shorter frequency until stable flow is observed.

Oil Allocation

Allocation of oil production to individual wells is based on a comparison of Actual Oil Production to Theoretical Oil Production as follows:

- Actual Oil Production is the combination of readings from both runs from the sales tank, BS&W, and standard temperature and pressure, plus the difference in stock tank gauge-off from the prior month's close.
- Theoretical Oil Production is the sum of Adjusted Well Test Volumes. Each well test is adjusted for BS&W from the shakeouts, corrected to standard temperature and pressure, and factored up to a theoretical monthly Well Test Volume through the operators' downtime report.
- The ratio of Actual Production to Theoretical Oil Production is that month's Oil Battery Factor. Allocated Well Production is the Well Test Volume multiplied by the Oil Battery Factor.
- Downtime is logged by Operators on a daily basis. For wells not in test, this is determined from other evidence such as daily tank gauging, normal production history and the Operator's experience.

$$\text{Adjusted Sales} = \text{Oil Sales Tank} \times (100 - \text{BS\&W}\%) \times \text{STP Correction}$$

$$\text{Actual Oil Production} = \sum [\text{Adjusted Sales}] + [(\text{Current Month Tank Volume}) - (\text{Prior Month Tank Volume})]$$

$$\text{Adjusted Well Test Volume} = \text{Well Test} \times (\text{Hours-on in month or between tests} / \text{Hours in test}) \times (100 - \text{BS\&W} \%) \times \text{STP Correction} \times \text{Test Meter Factor}$$

$$\text{Theoretical Oil Production} = \sum [\text{Adjusted Well Test Volumes}]$$

$$\text{Oil Battery Factor} = [\text{Actual Oil Production}] / [\text{Theoretical Oil Production}]$$

$$\text{Allocated Well Production} = \text{Adjusted Well Test Volume} \times \text{Oil Battery Factor}$$

Gas Allocation

Allocation of gas production to individual wells is based on allocation of total sales gas back to individual well metered volumes during testing. All gas volumes are converted to Louisiana standard temperature and pressure.

The total monthly gas is measured at the Sonat Sales Meter. Total gas, to be allocated back to each well, is the sum of gas sales, fuel gas, and gas lift gas metered volumes. Gas lift gas is deducted from each well on gas lift by subtracting the gas lift metered volumes at each well on lift. Individual gas production will be allocated back to each well based on the following formula:

$$\frac{\text{Individual Well Gas Test Meter Volume(s)} - \text{Individual Well Gas Lift Meter Volume}}{\text{Sum of Individual Well Gas Test Meter Volumes}} \text{ (Total Gas Sales + Fuel)}$$

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**STATEMENT OF APPLICANT REGARDING ACCURACY
OF METERED MEASUREMENTS IN CONNECTION WITH
COMMINGLING OF HYDROCARBONS**

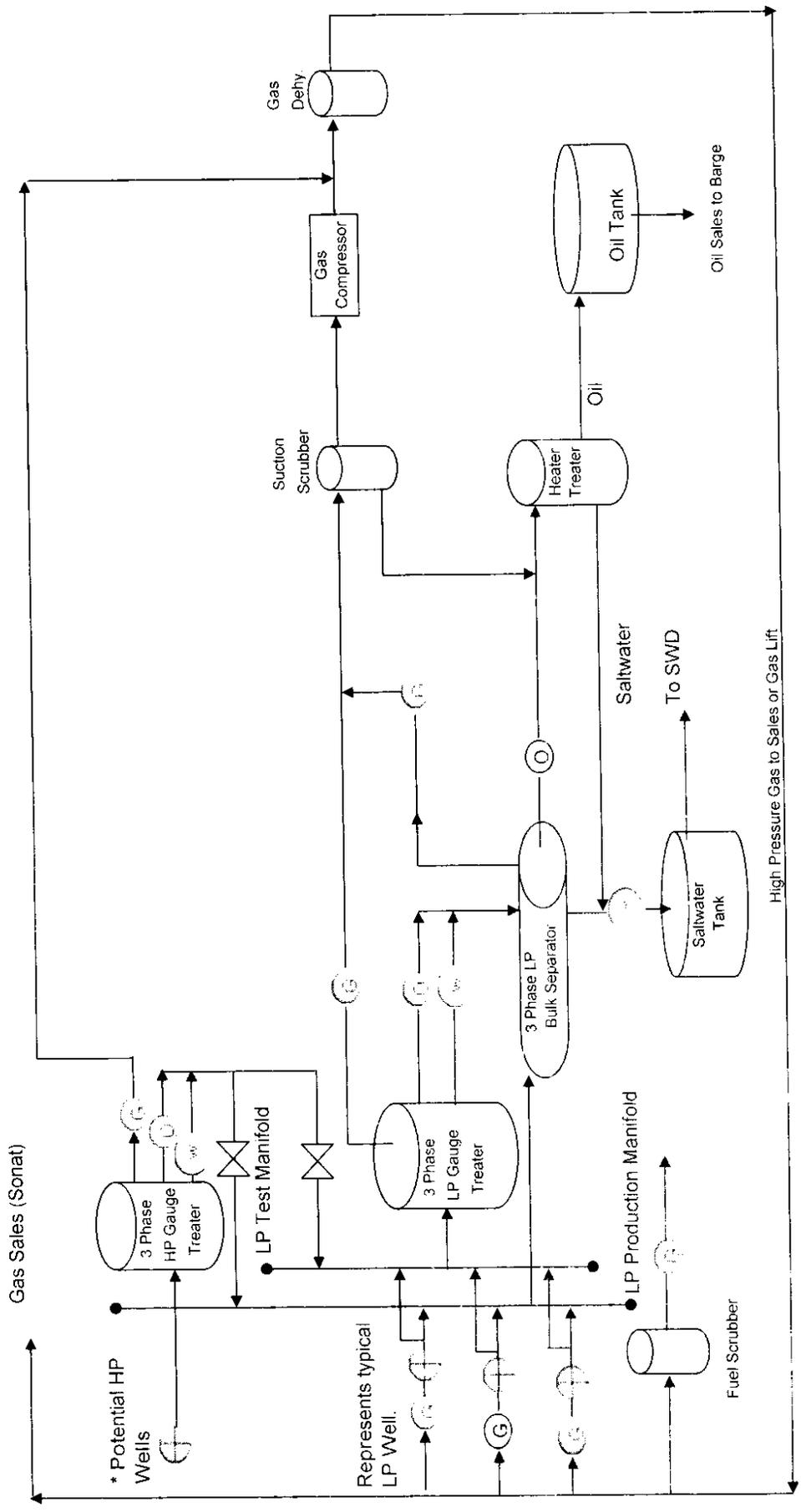
**HILCORP ENERGY COMPANY
WEST BAY COMMINGLING FACILITY NO. 1
PLAQUEMINES PARISH, LOUISIANA**

January 13, 2009

In the opinion of Hilcorp Energy Company, the commingling of gas and liquid hydrocarbons and the use of monthly well tests, orifice and turbine meters (gaseous hydrocarbons), turbine and positive displacement liquid meters and water cut tests for production allocation as proposed under this application to the State of Louisiana, Office of Conservation, will provide reasonable accurate measurement, will not create inequities, and the owner of any interest will have the opportunity to recover his just and equitable share of the reservoir content. Liquid meters employed in the installation covered by this application will be a proved commercially available type. Moreover, suitable means for calibrating each liquid meter are provided, such that the accuracy of each meter in operation can be proved. Such testing will be done at least monthly and at such other times as the Commissioner of Conservation, or his agent shall deem proper.

John Connolly
Agent for Hilcorp Energy Company

STATE OF LOUISIANA
OFFICE OF CONSERVATION
JAN 13 2009



Hilcorp Energy Company
 West Bay Field
 West Bay Facility (937180)
 January 2009

