

MAY 08 2008

CONSERVATION DIVISION
WICHITA, KS

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF)
DAYSTAR PETROLEUM, INC., FOR A BASIC) DOCKET NO. 08-CONS-164-CBPO
PRORATION ORDER FOR THE HOSS LAKE)
CHESTER OIL AND GAS POOL IN THE)
SOUTHEAST QUARTER OF SECTION 8,)
THE EAST HALF OF SECTIONS 17, 20, 29)
AND 32, THE SOUTH HALF OF SECTIONS 9)
AND 10, AND ALL OF SECTIONS 16, 15, 21,)
22, 28, 27, 33 AND 34 IN TOWNSHIP 31)
SOUTH, RANGE 30 WEST, AND THE)
NORTHEAST QUARTER OF SECTION 5 AND)
THE NORTH HALF OF SECTIONS 3 AND 4)
IN TOWNSHIP 32 SOUTH, RANGE 30 WEST,) OPERATOR NO. 30931
MEADE COUNTY, KANSAS) CONSERVATION DIVISION
_____)

DAYSTAR PETROLEUM, INC.'S, REPLY TO MOTION TO
REVOKE APPROVAL OF DRILLING INTENTS AND
FOR EXPEDITED HEARING

COMES NOW, Daystar Petroleum, Inc., ("Daystar") and in reply to the Motion of Keith F. Walker Oil & Gas Co., LLC, ("Keith FI Walker") to Revoke Approval of Drilling Intents and for Expedited Hearing, states, alleges and avers as follows:

1. Daystar filed its Application in this matter on April 16, 2008. The Application was filed in order to provide for future orderly development of gas wells on 160 acre spacing with 660 foot setbacks. The proposed Basic Proration Order will allow for the orderly development of wells in the future, for the protection of correlative rights and prevention of waste by prohibiting the drilling of unnecessary wells.

2. Daystar's Application was prompted and made necessary by the development activities of Intervener Keith F. Walker.

3. To date, Keith F. Walker's development activities have been based more on lease line advantages than any geological or engineering considerations. Since Keith F. Walker's drilling of the discovery well, the Hoss 21-1 well located in the Southeast Quarter of the Southwest Quarter of Section 21, Township 31 South, Range 30 West, Meade County, Kansas, Keith F. Walker has drilled the following wells along Daystar's lease line:

a. The Ben #16-IR Well located in the S/2 SE/4 SW/4 of Section 16-31S-30W, Meade County, 660' from Daystar's lease line.

b. The Blocker #21-2 Well located in the SE/4 SE/4 NW/4 of Section 21-31S-30W, Meade County, 330' from Daystar's lease line.

c. The Devenie Kay #28-1 well located in approximately the NW/4 NE/4 of Section 28-31S-30W, Meade County, 860' from Daystar's lease line.

d. The Virginia City 17-1 well located in the SE/4 SE/4 SE/4 of Section 17, Township 31 South, Range 30 West, Meade County, Kansas, another well only 330' off Daystar's lease line.

e. The Lode 16-2 well located in the SW/4 SW/4 NW/4 of Section 16, Township 31 South, Range 30 West, Meade County, Kansas, 385' off Daystar's lease line.

4. Daystar has drilled the Land A 1-21 well located in the Southwest Quarter of the Southeast Quarter of Section 21, Township 31 South, Range 30 West, Meade County, Kansas, as an offset to the Hoss 21-1 well. Drilling of this well at a location 660' x 660' from the lease line was necessary in order to protect against lease line drainage by Keith F. Walker.

5. In response to Keith F. Walker's actions, Daystar has been forced to file intents to drill the following wells as protective offset wells:

a. Mustang A 1-20 well in the Northeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 20, Township 31 South, Range 30 West, Meade County, Kansas, 330' from the North and 330' from the East – a direct offset to Keith F. Walker's Virginia City 17-1 well;

b. Land A 2-21 well in the Southwest Quarter of the Southwest Quarter of Northeast Quarter of Section 21, Township 31 South, Range 30 West, Meade County, Kansas, 330' from the West lease line – a direct offset to Keith F. Walker's Blocker 21-2 well;

c. Cayuse A1-21 well located in the Northwest Quarter of the Northeast Quarter of Section 21, Township 31 South, Range 30 West, Meade County, Kansas; this well is 660' x 660' from the lease line at a legal location and offsets Keith F. Walker's Ben 16-IR well; and

d. Stallion A 1-17 well located in the Southeast Quarter of the Southeast Quarter of the Northeast Quarter of Section 17, Township 21 South, Range 30 West, Meade County, Kansas, 330' from the South and 385' from the East lease line as a direct offset to Keith F. Walker's Lode 16-2 well;

e. Mary A 1-16 well located in the Southwest Quarter of the Southeast Quarter of Section 16, Township 31 South, Range 30 West, Meade County, Kansas. This well offsets Keith F. Walker's Ben 16-IR well. As the Cayuse A1-21 was intended as an alternate to the Mary A1-16, Daystar agrees to withdraw this intent if the Cayuse A1-21 well is allowed to be drilled.

6. The intents for each of these wells were approved by the Commission on April 15, 2008.

7. Each of the above wells is a protective offset to wells drilled by Keith F. Walker and made necessary by Keith F. Walker's lease line development activities.

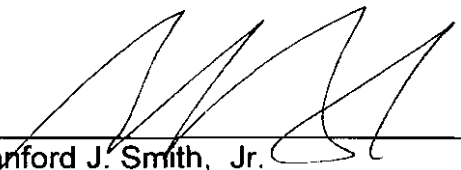
8. Each of these wells is necessary as a protective offset to possible lease line drainage by Keith F. Walker and in direct response to their lease line drilling activities.

9. Rather than manipulate the system as alleged by Keith F. Walker, Daystar has simply taken action to protect its correlative rights and is proposing a system going forward that will benefit all operators by providing for orderly development, protection of correlative rights and prevention of waste.

10. Daystar should be allowed to proceed with its approved drilling intents during the pendency of this docket in order to protect its correlative rights.

WHEREFORE, Daystar respectfully requests that the Motion of Keith F. Walker to Revoke Approval of Drilling Intents be denied and that this matter proceed forward under the current schedule.

By



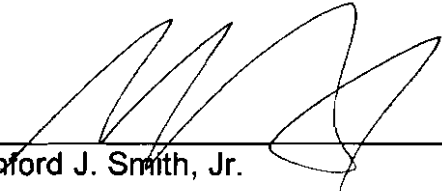
Stanford J. Smith, Jr.
MARTIN, PRINGLE, OLIVER, WALLACE
& BAUER, L.L.P.
100 North Broadway, Suite 500
Wichita, KS 67202
Attorney for Applicant

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

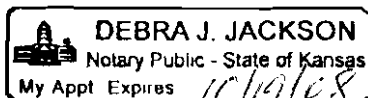
Stanford J. Smith, Jr., being of lawful age and being first duly sworn upon his oath, deposes and says:


That he is the attorney for Daystar Petroleum, Inc.; he has read the above and forgoing Response and is familiar with the contents thereof and that the statements made therein are true and correct to the best of his knowledge and belief.



Stanford J. Smith, Jr.

SUBSCRIBED AND SWORN to before me this 8th day of May, 2008.





Notary Public

My Appointment Expires:

10/19/08

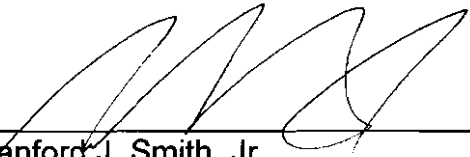
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Response to Motion to Revoke Approval of Drilling Intents and for Expedited Hearing was hand delivered on this 8th day of May, 2008, to:

John G. McCannon, Esq.
Kansas Corporation Commission
130 South Market, Room 2078
Wichita, KS 67202

and a copy mailed to:

John G. Pike, Esq.
WITHERS, GOUGH, PIKE, PFAFF
& PETERSON, LLC
200 West Douglas, Suite 1010
Wichita, KS 67202
Attorneys for Keith F. Walker



Stanford J. Smith, Jr.