

APR 16 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
_____)

APPLICATION FOR BASIC PRORATION ORDER

COMES NOW, Daystar Petroleum, Inc., P. O. Box 360, Valley Center, Kansas, 67147, as Applicant (hereinafter "Daystar") and alleges and states as follows:

1. Daystar is the owner and operator of leasehold interests in Sections 17, 20, 32, 16, 21 and 22, Township 31 South, Range 30 West, Meade County, Kansas.
2. The lands subject to this application (hereinafter "subject acreage") are 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 Northeast Quarter of Section 5 and the North Half of Sections 3 and 4 in Township 32 South, Range 30 West in Meade County, Kansas.

3. Daystar seeks to have the Commission issue a Basic Proration Order establishing rules and regulations relating to the production and conservation of oil and gas in the Chester Sand common source of supply in the subject acreage.

4. Daystar has recently completed a successful well, the Land A #1-21 Well, in the Southwest Quarter of the Southeast Quarter of Section 21, Township 31 South, Range 30 West, Meade County, Kansas, on its acreage in the area sought to be prorated. The productive formation in the Land A #1-21 Well is the Chester formation.

5. Keith F. Walker Co. has drilled and completed the following successful wells in the area sought to be prorated:

a. The Ben #16-IR Well located in the S/2 SE/4 SW/4 of Section 16-31S-30W, Meade County.

b. The Blocker #21-2 Well located in the SE/4 SE/4 NW/4 of Section 21-31S-30W, Meade County.

c. The Hoss 21-1 Well located in the SE/4 SW/4 of Section 21-31S-30W, Meade County.

d. The Devenie Kay #28-1 well located in approximately the NW/4 NE/4 of Section 28-31S-30W, Meade County.

6. **COMMON SOURCE OF SUPPLY.** Based upon drilling in the subject area, it appears that there is a separate common source of supply for oil and gas in the Chester formation found at approximately 5454' to 5724' (-2687' to -2957' subsea) in the Land A 1-21 Well and at approximately 5390' to 5618' (-2625' to -2853' subsea) in the Ben 16-IR Well. All of the area which is the subject of this application is reasonably expected to be productive of oil and gas from the Chester Sand. Because the Chester

Sand common source of supply underlying the subject lands is an oil and gas reservoir, separate and distinct from any other common source of supply, a Basic Proration Order should be established for the subject lands for the Chester Sand as found in the Land A #1-21 Well and the Ben 16-IR Well.

7. **ACREAGE ATTRIBUTION AND WELL LOCATIONS.** The following rules should be established for the configuration of producing units for acreage attribution purposes and the location of wells completed in the common source of supply:

a. One gas well in the Chester Sand is capable of producing, within a reasonable time, all of the economically recoverable gas and associated hydrocarbons from at least 160 acres, and the entire gas reservoir can be adequately and efficiently drained while avoiding uncompensated drainage between developed leases. In accordance therewith, the basic acreage unit for gas wells to be used in the proration formula here and after described shall be 160 acres.

i. The acreage factor for a gas well shall equal the number of productive acres attributable to said well divided by 160. Expressed as a mathematical formula, said factor for gas wells may be set forth as:

Acreage factor = number of productive acres divided by 160.

b. One oil well in the Upper Morrow Sand common source of supply is capable of producing, within a reasonable time, all of the economically recoverable oil and associated hydrocarbons from at least 40 acres, and the entire oil reservoir can be adequately and efficiently drained while avoiding uncompensated drainage between developed leases. In accordance therewith,

the basic acreage unit for oil wells to be used in the proration formula here and after described shall be 40 acres consisting of one governmental quarter quarter section.

i. The acreage factor for an oil well shall equal the number of productive acres attributable to said well divided by 40. Expressed as a mathematical formula, said factor for oil wells may be set forth as:

Acreage factor = number of productive acres divided by 40.

c. An oil or gas well shall be located at least 660' from any lease or unit boundary. The acreage attributed to a gas well shall be adjoining and contiguous, and the length thereof shall not exceed twice the width. The acreage attributed to an oil well shall be adjoining and contiguous, consisting of one governmental quarter quarter section.

d. Exceptions to the contiguous and adjoining acreage provisions shall be granted after notice and hearing whenever the Commission finds that:

i. The granting of such exception is necessary to prevent waste or to protect correlative rights; and

ii. A reasonable attempt has been made to include the acreage sought to be attributed in contiguous units; and

iii. All acreage concerned is proven to be reasonably comparable in the Chester oil and gas pool.

e. Exceptions to well location restriction may be granted whenever the Commission finds that granting such exception is necessary to prevent waste or to protect correlative rights because of one of the following:

i. A surface obstruction, either natural or manmade, not including circular irrigation, exists;

ii. Inability to secure acreage after a reasonable attempt has been made;

iii. A well has an approved intent or is in existence or in the process of being drilled on the date of filing this application;

f. All acreage attributed to a well must be proven to be productive of oil and gas by competent evidence. Provided further, the Commission may, either on complaint filed, or upon its own motion, after notice of hearing, exclude any acreage from inclusion in the unit which, in its judgment, based on such evidence, is not productive and should not be considered as proven acreage.

8. **PRORATION OF PRODUCTION.** Proration formulas which permit each oil and gas well to produce proportionately with other wells and units in the common source of supply and which will permit each unit to ultimately produce approximately the amount of oil or gas underlying said unit, all without waste, is the object sought to be accomplished by this Basic Proration Order. The following rules should be adopted for the allocation of production to wells completed in the common source of supply:

a. **Well Classification.** Any well with an official producing gas-oil ratio equal to or greater than 15,000 standard cubic feet of gas per barrel of oil shall be classified as a gas well. Any well with an official producing gas-oil ratio of less than 15,000 standard cubic feet of gas per barrel of oil shall be classified as an oil well.

b. **Gas Allowable.** Initial test CAOF (in accordance with K.A.R. 82-3-303) x D/660.

c. **Oil Allowable.** 100 bopd x D/660

9. **DURATION OF ORDER.** The Basic Proration Order shall terminate when no well in the field is capable of producing in excess of 100 mcf per day.

10. A Basic Proration Order establishing rules and regulations relating to the production and conservation of oil and gas in the Hoss Lake Chester Oil and Gas Pool is necessary to assure orderly development of the pool and to prevent waste and protect correlative rights.

11. Attached hereto and made a part hereof as required by K.A.R. 32-3-109 are:

- a. Exhibit 1 Net Sand Isopach Map.
- b. Exhibit 2 A Geological Structure Map
- c. Exhibit 3 Cross-Section of Logs with DST Data
- d. Exhibit 4 Economic Analysis

12. Attached hereto and made a part hereof as Exhibit 5 is a list of the names and addresses of all persons who are owners of leases of record or unleased oil and gas interests within the subject acreage, and the names and addresses, as shown by the Applicant's records, of all owners of royalty or leasehold interests in unleased acreage which is the subject of this application.

13. Daystar recommends that the common source of supply be designated the Hoss Lake Chester Oil and Gas Pool.

WHEREFORE, Daystar requests:

A. That this Application be set for hearing July 17, 2008.

B. That due and proper notice of the Application and the time and place of the hearing be given as required by law.

C. That following the hearing and the presentation of evidence, Daystar be granted an Order creating a Basic Proration Order for the Hoss Lake Chester Oil and Gas Pool for the subject acreage.

By 

Stanford J. Smith, Jr.
MARTIN, PRINGLE, OLIVER, WALLACE
& BAUER, L.L.P.

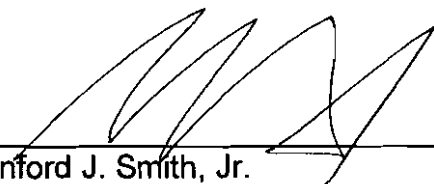
100 North Broadway, Suite 500
Wichita, KS 67202
Attorney for Applicant

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

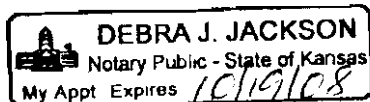
Stanford J. Smith, Jr., being of lawful age and being first duly sworn upon his oath, deposes and says:

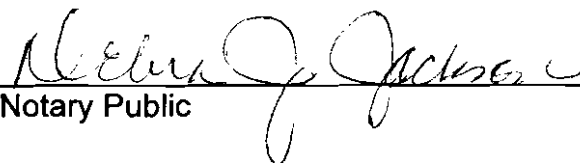
That he is the attorney for Daystar Petroleum, Inc.; he has read the above and forgoing Application and is familiar with the contents thereof and that the statements made therein are true and correct to the best of his knowledge and belief.



Stanford J. Smith, Jr.

SUBSCRIBED AND SWORN to before me this 14th day of April, 2008.





Notary Public

My Appointment Expires:
10/19/08

OVERSIZED EXHIBITS

Hoss Lake Chester Oil and Gas Pool Economics
160 Acre Versus 80 Acre Gas Well Spacing

	<u>160 Acres</u>	<u>80 Acres</u>
Number of Wells	1	2
Initial Rate	1000 MCFD	2000 MCFD
Gross Gas Recovered	400 MMCF	400 MMCF
Gross Oil Recovered	3.08 MBbls	3.08 MBbls
Project Life	5.0 yrs	2.5yrs
Capital Required	\$600 M	\$1,200 M
Net Cash Discounted at 12%	\$957 M	\$441 M

EXHIBIT 5

Keith F. Walker Oil & Gas Co. LLC
103 West Boyd St.
Norman, OK 73402

Ronald Dean & Viki Lee
5106 L. Road
Plains, KS 67869

Ralph J. Kisner Estate
809 Grand
Plains, KS 67869

Kisner Farms, LLC
c/o Karen Harkness
10723 S. Greenwich Rd
Mulvane, KS 67110

Eakes Farm, Inc.
c/o Larry Eakes
13204 2 Road
Plains, KS 67869

Clawson Land Partnership
PO Box 279
Plains, KS 67869

Kirby Clawson
PO Box 279, Plains, KS 67869

Mary Clawson
PO Box 279
Plains, KS 67869

Bluffstone Associates, LLC
6589 S. Blackhawk Way
Aurora, CO 80016

CH Todd, Inc.
1000 N. Tyler Rd.
Wichita, KS 67212-3275

Harvest LLC
1735 Amarado Ct.
Wichita, KS 67212-1229

Norstar Petroleum, Inc.
6855 S. Havana, Ste. 250
Centennial, CO 80112

The Petroleum Synergy Group, Inc.,
980 Caughlin Crossing, Ste102
Reno, NV 89519

Presley Petroleum Co.
PO Box 2200
Newport Beach, CA 92658-8950

RPX Energy Company
3621 Rocky Stream Dr.
Ft. Collins, CO 80528

Debbie Schmitt, LLC
PO Box 47
Great Bend, KS 67530-0047

Stange Properties, LLC
PO Box 47
Great Bend, KS 67530-0047

Stevens Dynasty LLC
PO Box 586
Oxford, MI 48371