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2 **STATE OF CALIFORNIA**  
3 **BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
4 **DEPARTMENT OF CORPORATIONS**

5 TO: Paul Cothran, President  
6 Daystar Oil & Gas Corporation  
7 13809 Research Boulevard, Suite 725  
8 Austin, Texas 78750

9 **ORDER WITHDRAWING DESIST AND REFRAIN ORDER**

10 It is hereby ordered that the Desist and Refrain Order issued on May 18, 2006 against  
11 Daystar Oil & Gas Corporation and Paul Cothran is withdrawn. The portion of the May 18, 2006  
12 Desist and Refrain Order against Pete Lippincott, and Diamond "S" Oil Inc., remains in effect.

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14 Dated: August 10, 2006  
15 Los Angeles, California

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18 PRESTON DuFAUCHARD  
19 California Corporations Commissioner

20  
21 By \_\_\_\_\_  
22 ALAN S. WEINGER  
23 Supervising Attorney  
24 Enforcement Division  
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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

**TO:** Pete Lippincott, President  
Diamond "S" Oil Inc.  
4739 Ingersoll  
Houston, Texas 77027

Paul Cothran, President  
Daystar Oil & Gas Corporation  
13809 Research Boulevard, Suite 725  
Austin, Texas 78750

**DESIST AND REFRAIN ORDER**  
**(For violations of sections 25110 and 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. Diamond "S" Oil Inc. is a Texas corporation with a registered place of business at 2431 Rice Boulevard, Houston, Texas 77005-3202, and more recently does business at the address of 4739 Ingersoll, Houston, Texas 77027. Pete Lippincott is the President of Diamond "S" Oil Inc. Pete Lippincott has also done business under the name Diamond "S" Oil, LLC which is not registered as a foreign or domestic corporation in the States of Texas or California.

2. Daystar Oil & Gas Corporation is a Texas corporation with a registered place of business at 13809 Research Boulevard, Suite 725, Austin, Texas 78750. Paul Cothran is the President of Daystar Oil & Gas Corporation ("Daystar"). Daystar also has a place of business located at 1120 NASA Road One, Suite 640, Houston, Texas 77058.

3. Diamond "S" Oil Inc. maintained a website at diamondsoil.com, which in or about 2004 advertised investment opportunities in oil well drilling projects located in Texas, Kentucky, Tennessee and Louisiana. In response to calls about the investments advertised on the website, Pete Lippincott provided offering materials to a California resident for an investment in working interests in two joint venture oil well reentry projects with Daystar Oil & Gas Corporation and Diamond "S"

1 Oil Inc. One project, referred to as the “Humble Salt Dome Recompletion Project, Phase I,”  
2 involved the reopening and extraction of oil from 18 to 20 wells located in the Humble Salt Dome oil  
3 field in Harris County, Texas. The other involved a project referred to as the “Chapa #2 Well Re-  
4 Completion Prospect” for an oil well located in the Buena Suerte Field in Duval County, Texas. The  
5 offering materials stated that Patriot Operating Company, a Texas Corporation, also located at 1120  
6 NASA Road, Houston, Texas 77058, would be the operations manager for the projects and that  
7 Patriot Operating Company was the operations division of Daystar and the joint venture partner of  
8 Diamond “S” Oil Inc.

9 4. The offering materials for the Humble Salt Dome joint venture indicated that reopening the  
10 previously capped wells would produce in the range of 375-500 barrels per day and that an estimated  
11 15 million barrels of oil was recoverable from the wells. It was also represented that a “total of  
12 5,000,000 barrels could be on our lease that are classified as proven, proven recoverable, and proven  
13 undeveloped. Total value @ \$20.00 a barrel is \$100,000,000.00.” The offering materials stated the  
14 estimated cash flow per month for the project was \$412,500 and that a 1% ownership interest  
15 purchased at a cost of \$43,200 would return an estimated cash flow of \$4,125 per month with a total  
16 return of the investment within 10 months.

17 5. The offering material for the Chapa # 2 Recompletion Prospect represented that the offering  
18 involved the sale of 75 units or working interests (WI) in the project at a cost of \$8,000 per unit. The  
19 materials provided that for every \$8,000 unit purchased the “projected ultimate return per 1% is  
20 \$79,910 or about 10-1 ROI. Estimated time to pay out < 12 months. Projected cash flow of \$1,163  
21 per month per 1% WI.”

22 6. Based on the offering materials, the California investor purchased working interests in both of  
23 the joint venture projects referred to in the offering materials from Pete Lippincott and Diamond “S”  
24 Oil Inc. Prior to the sale it was not disclosed to the purchaser that Diamond “S” Oil Inc. and its  
25 President, Pete Lippincott, had been the subject of a prior Emergency Cease And Desist Order issued  
26 by the Texas State Securities Board on or about February 14, 2003, which found that Pete Lippincott  
27 had been offering and selling unregistered nonexempt securities in the form of working interests in  
28 oil drilling projects in Texas. The Order further found that Pete Lippincott and Diamond “S” Oil Inc.

1 were not registered to offer or sell the securities, or to render investment advice within Texas, and  
2 that the securities had been sold by means of material misrepresentations or omissions in that they  
3 had failed to disclose to the purchasers of the security the existence of a prior Summary Order to  
4 Cease and Desist issued on or about November 12, 2002, by the Pennsylvania Securities Commission  
5 with regard to selling unregistered nonexempt securities in the form of working interests in the same  
6 Texas oil well projects. The Texas Order ordered Pete Lippincott and Diamond "S" Oil, LLC to  
7 cease and desist from offering or selling unregistered nonexempt securities, making offers containing  
8 statements that are materially misleading or from acting as a securities dealer in Texas.

9 7. The Department of Corporations has not issued any permit, license or other form of  
10 authorization, approval or qualification to allow any person to offer and sell securities, including  
11 certificates of interest or participation in, or in payments out of production under, oil or gas titles or  
12 leases, in the form of working interests in joint ventures with Diamond "S" Oil Inc. or Daystar Oil &  
13 Gas Corporation.

14 Based upon the foregoing findings, the California Corporations Commissioner is of the  
15 opinion that the working interests in joint ventures with Diamond "S" Oil Inc. and Daystar Oil & Gas  
16 Corporation sold to the California resident constitute securities, which are subject to qualification  
17 under the California Corporate Securities Law of 1968, and that these securities have been and are  
18 being offered and sold without being qualified or exempt.

19 The California Corporations Commissioner is of the further opinion that the securities in the  
20 form of working interests in a joint venture with Diamond "S" Oil Inc. or Daystar Oil & Gas  
21 Corporation have been offered and sold in this State by means of written and oral communications,  
22 which include untrue statements or omissions of material facts, in violation of section 25401 of the  
23 California Corporate Securities Law of 1968.

24 Pursuant to Corporations Code section 25532, Diamond "S" Oil Inc., Daystar Oil & Gas  
25 Corporation, Pete Lippincott and Paul Cothran are hereby ordered to desist and refrain from the  
26 further offer or sale in the State of California of securities, including certificates of interest or  
27 participation in, or in payments out of production under, oil or gas titles or leases, in the form of  
28 working interests in joint ventures with Diamond "S" Oil Inc. or Daystar Oil & Gas Corporation,

1 unless and until qualification has been made under the California Corporate Securities Law or unless  
2 exempt.

3 Pursuant to Corporations Code section 25532, Diamond "S" Oil Inc., Daystar Oil & Gas  
4 Corporation, Pete Lippincott and Paul Cothran are hereby further ordered to desist and refrain from  
5 the further offer or sale in the State of California of securities, including certificates of interest or  
6 participation in, or in payments out of production under, oil or gas titles or leases, in the form of  
7 working interests in joint ventures with Diamond "S" Oil Inc. or Daystar Oil & Gas Corporation, by  
8 means of any written or oral communication which includes untrue statements or omissions of  
9 material facts.

10 This Order is necessary, in the public interest, for the protection of investors and consistent  
11 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

12 Dated: May 18, 2006

13 Los Angeles, California

14 WAYNE STRUMPFER  
15 Acting California Corporations Commissioner

16  
17 By \_\_\_\_\_  
18 ALAN S. WEINGER  
19 Acting Deputy Commissioner  
20 Enforcement Division  
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