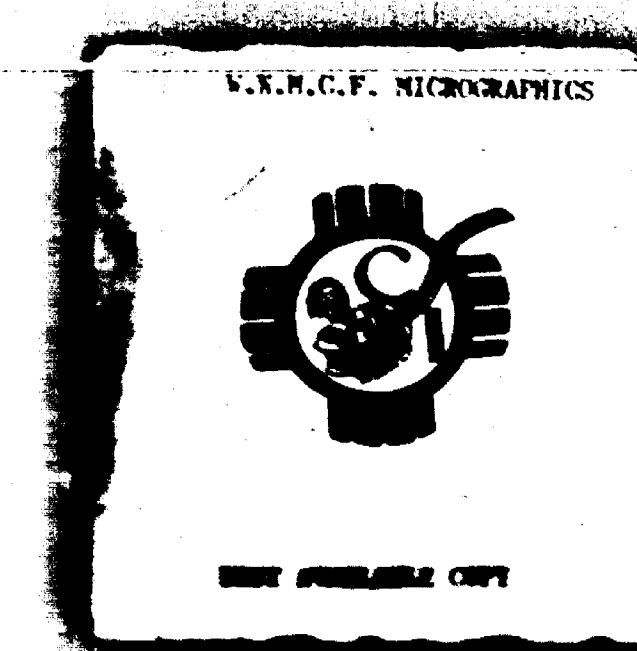


Case No.

4098

Large

Exhibits





Prospectus

PENNECO OIL, INC.

(A KANSAS CORPORATION)

12,000 SHARES OF COMMON STOCK

With Par Value of \$10.00 per share

THESE SECURITIES ARE OFFERED FOR SALE IN THE STATE OF KANSAS UNDER A PERMIT GRANTED BY THE SECURITIES COMMISSIONER OF KANSAS, BUT THIS PERMIT IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT, AND IS NO MORE IS TO BE REPRESENTED AS AN INDICATION OF THE INVESTMENT MERIT OF SUCH SECURITIES. ANY SUCH REPRESENTATION IS NOT TO BE RELIED UPON.

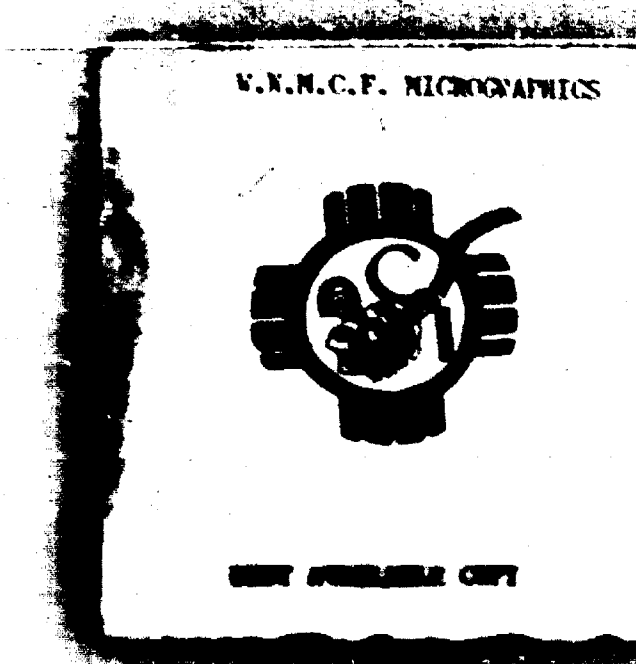
OFFERING PRICE: \$10.00 per share

	Price to Public	Underwriting Discounts and commissions (1)	Net Proceeds to Company
PER SHARE	\$ 10.00	\$ 1.50	\$ 8.50
\$120,000.00		\$18,000.00	\$102,000.00

(1) No underwriting or selling agreement has been entered into with any broker dealer. The company is offering these securities to the public as issuer-directly, and all securities will be sold by the company, its officers, directors, authorized employees, or licensed agents or broker. All officers, directors, authorized employees, or licensed agents or broker, its officers, shall agree to effect provide for making compensation to be paid to the selling of these securities will not exceed 1% per share.

The securities are offered to bona fide residents of Kansas only.

The date of this Prospectus is JUN 31 1966



ITEM 1:

INTRODUCTION

Walter J. Nelson, Inc. was organized pursuant to the laws of Kansas as a corporation for profit on May 22, 1967, and its name was, thereafter, changed to Penn-Ken Oil, Inc. Hereinafter called the "Company". The Company has engaged in no business activities to the present time, but plans to engage in the business of exploring, drilling, testing, operating, and servicing oil and gas wells for itself and others. It is contemplated that the Company will incorporate a wholly owned subsidiary corporation to be known as Penn-Ken Drilling, Inc. hereinafter referred to as Penn-Ken Drilling. Penn-Ken Drilling will be a vehicle through which purchasers of shares will participate in oil and gas exploration. It is further contemplated that Penn-Ken will register with the United States Securities and Exchange Commission and offer for sale by prospectus, and by no other means, 5,000 units of interest in respective shares, purchase of production, and for participation in secondary recovery operations at the rate of \$2,500.00 per unit, being a prospective unit of \$1,000.00. No assurance can be given that the proposed subsidiary will actually be formed, that the securities will be registered with the S.E.C. or that its securities will be sold.

The Company will offer to and perform drilling, testing, equipping, and operating services for Penn-Ken Drilling, Inc. plus 10% profit. The Company will perform similar services on a time basis or for fixed fees for others. The Company will perform services in organizing Penn-Ken Drilling and other subsidiaries of the same price of the latter. If the Company is unable to do so or, upon request, then it may contract with other drilling and testing companies for the services. Penn-Ken is to pay the Company's cost of providing performance of such services by others, plus 5% thereof to Penn-Ken for services and profit.

If the Company is unable to operate any lease or leases, then it may contract for such services with others. In this event, the Company will charge the contract price plus 5% thereof for services and profit.

After the participating unit owners have recovered 100% of their cost of equipping, drilling, testing, and operating any lease, then 50% of all oil or gas attributable to the working interest, produced and saved from a lease will revert to Penn-Ken.

No contract has been executed with Penn-Ken at this point and there can be no assurance that Penn-Ken will require the services of the Company to perform any services.

ITEM 2:

DILUTION ASPECTS OF THE OFFERING

The organizers and present stockholders of the Company have been issued a total of 18,000 shares in exchange for 131 1/2 acre drilling and servicing equipment necessary to carry on the contemplated business of the corporation, and 100 1/2 acre oil and gas lease.

The drilling and servicing equipment transferred to the Company is encumbered by a mortgage owned by the National Bank of America, Dallas, Texas, the First State Bank of Dallas, Texas, and Cabel Corporation of Dallas, Texas, to secure the payment of the sum of thirty-nine thousand, four

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Hundred Sixty-Two dollars, plus interest at the rate of 5% per annum from November 1, 1967. From the funds derived from the sale of the additional 5,000 shares, the Company will pay all indebtedness which is a lien against said drilling and servicing equipment, so that the Company will own the drilling and servicing equipment without any encumbrance whatsoever.

Upon the completion of the public offering, assuming the payment of 15 per cent total commission and expenses, the book value of the shares outstanding would be \$7.33 per share. The promoter's stock, compared to the average book value, would thereby show an increase of 2.33 per share in the book value. Assuming all shares registered are sold, the organizers will own 50 per cent of the outstanding shares, for which they will have exchanged property of the net value of slightly more than \$110,000.00.

ITEM 3:

SPECULATIVE FEATURES OF THE OFFERING

Drilling, testing, equipping and operating and producing oil and gas is a highly speculative enterprise and involves a risk of loss. No assurance can be given that the project will be a financial success, or that the participants or the Company will be able to recoup the money invested by them. It is not contemplated that a major part of the Company's business will be drilling, testing, equipping, and operating the leased land owned by Penn-Ken and others. Rather, by and large, the Company will engage in the business of exploration, testing, equipping, and operating the leased land owned by Penn-Ken and others. A cost player lease and contract basis as hereinafter set out. The prospecting and servicing wells for others is highly speculative and it is not possible to predict the number of wells that the Company may drill, test, equip, and service for others. However, it may be concluded by the investor that if the Company drills, equips and operates leases for others, it will undertake to make a profit on the operations.

The Company has been inactive since its formation, and therefore, has no history of earnings. The public offering price of \$10.00 per share was arbitrarily established by the organizers.

The proceeds of the offering will be placed in escrow in the First National Bank and Trust Company of Dallas, Texas, until sales of stock totaling \$75,000.00 have been made. When and if \$75,000.00 is available, the same will be withdrawn from escrow and the Company will proceed with business, but will continue to offer for sale the remaining authorized unissued shares of stock to provide additional operating capital for the Company. The stock of the Company will be encumbered with the Securities Commission of the State of Texas and will not be withdrawn from escrow until the corporation has earned and paid a 6 per cent dividend to the stockholders.

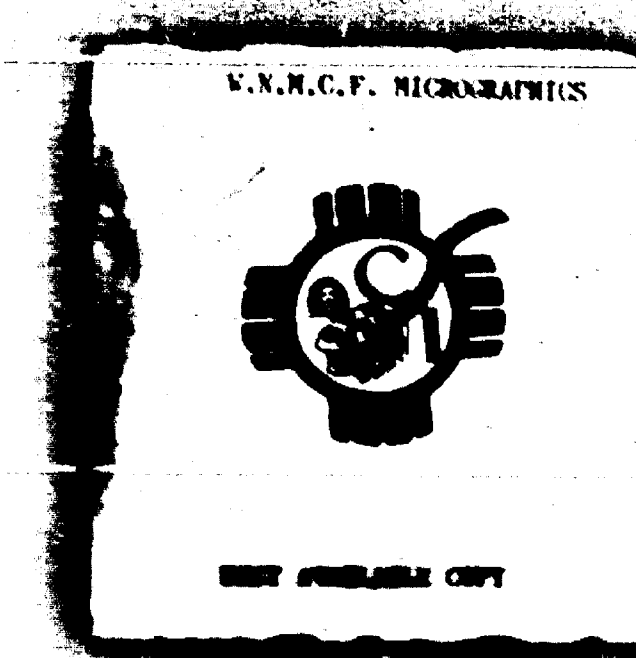
Dividends of the corporation are paid at the direction of the Board of Directors, and a majority of the stock is held by the promoters. The shares of stock have non-cumulative voting rights.

ITEM 4:

OPTIONS TO PURCHASE SECURITIES

No options to purchase any shares of common stock have been granted or are contemplated at this time.

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ITEM 5:

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

The only business unit the Company has conducted with any director or officer of the corporation is the transfer of 18,000 shares of the stock of this corporation in exchange for the personal property that is described in this prospectus. The only arrangement that the Company has entered into with any director or officer of the corporation is the transfer of 18,000 shares of the stock of this corporation in exchange for the personal property that is described in this prospectus. The Company does not now contemplate entering into any other arrangements with any director or officer of the corporation. The Company has not entered into any arrangement with any director or officer of the corporation and does not contemplate entering into any such transaction. When Penetration is completed, the Board of Directors of the Company may hold management positions with Penetration and upon the same basis as the Company would with any third party.

ITEM 6:

CAPITAL STOCK BEING REGISTERED

Thirty thousand (30,000) shares of the common stock of the corporation, per value \$10.00 per share, are being registered. The corporation is authorized to issue only this one class of common stock. Each share of stock is entitled to one vote and to equal participation in any dividends. It is not convertible into any other class of stock. The stock is noncumulative. No pre-emptive right is granted to any stockholder.

ITEM 7:

OTHER SECURITIES BEING REGISTERED

The only securities being registered are the common shares described in Item 6.

ITEM 8:

PLAN OF DISTRIBUTION

The securities are being offered for cash and no shares will be issued until fully paid. The securities being issued and offered hereby will be sold by duly licensed broker-dealers authorized to transact business within the State of Kansas, and sales will be made only to bona fide residents of the State of Kansas who are acquiring the shares for investment purposes. It is the intention of the Company to obtain the maximum number of shares of the common stock and the Board of Directors may arbitrarily determine the minimum number of shares which will be sold to individuals or to any persons as co-owners.

ITEM 9:

USE OF PROCEEDS

While the Company is organized, is authorized to engage in general business activities and in any activity which may be legally conducted and carried on by a corporation in the State of Kansas, it is intended that the primary business of the Company will be that of drilling, developing, equipping, servicing, and operating wells on oil and gas leases owned by third parties on a cost plus basis. No contract has been entered into heretofore.

The Company, at some future time, may enter into diversified businesses, at the discretion of the Board of Directors and within the authority of the Articles of Incorporation, but no other business ventures are currently contemplated.

ITEM 10:

SALES OTHER THAN FOR CASH

The securities offered by this Prospectus are offered only for cash and no shares will be issued until fully paid.

ITEM 11:

CAPITAL STRUCTURE

The Capital structure of the Company is as follows:

TITLE OF SECURITIES
Common stock of the par value of \$10.00 per share.
AMOUNT AUTHORIZED
Thirty thousand (30,000) shares.
Outstanding as of October 31, 1967, 18,000
AMOUNT OUTSTANDING IF ALL REGISTERED SECURITIES SOLD
Thirty thousand (30,000) shares.

ITEM 12:

SALES OTHERWISE THAN FOR CASH

The only shares that are being registered that are to be transferred for other than cash are the 18,000 shares held by the register, which have been transferred to him for the personal property described in the Prospectus. No other shares will be offered other than for cash.



ITEM 13:

SUMMARY OF EARNINGS

The Company has been inactive since its formation and therefore has no history of earnings.

ITEM 14:

PARENTS OF REGISTRANT

The Company has no affiliate or subsidiary, nor does it have a parent company. However, it proposes to organize Penn-Kan, as a subsidiary as set forth in Item 1 hereof.

ITEM 15:

DESCRIPTION OF BUSINESS

The promoter of this Company is an active oil producer and developer, who has successfully developed oil properties located in the State of Kansas. He has transferred to the Company equipment and materials ordinarily used in that business, together with certain oil and gas leases as set forth in Item 2 hereof, normally used in Kansas and other regions of the United States for that purpose.

Initially, the primary business of the company will be drilling, equipping, servicing, and operating oil wells for third parties. It is contemplated that the greater portion of these services will be furnished to a corporation which is known to exist, known as Penn-Kan. The Company will furnish certain services in organizing and completing Penn-Kan, and intends to charge for its services at the rate of 5 per cent plus cost, plus not to exceed \$20,000.00 for reimbursable expenses. The Company, if approved, intends to charge Penn-Kan for drilling, equipping, servicing, and operating services at actual cost to the Company plus 10% as profit. The Company will perform similar services for others for fixed sums or on a similar cost-plus basis.

If the company is unable to drill or test a prospect for Penn-Kan, then it will have the right to contract with other drilling companies for performance of the services and Penn-Kan will pay the contract price plus 5 per cent thereof to Penn-Kan for services and profit. The Company will also operate or produce wells and charge the owners of said producing wells the Company's actual cost plus 10 per cent profit, or operate the wells for hire on a customary basis. If the Company is unable to operate any lease or leases, then it may contract for such services with others in that event, the Company will charge the cost of procuring the services plus 5 per cent of the cost thereof for services and profit.

After Penn-Kan or any participants owning units have recovered 100 per cent of the cost of equipping, drilling, testing, and operating any well lease, then 20 per cent of the lease and of all oil or gas produced and saved from the working interval in the lease will be paid to Penn-Kan.

Notwithstanding the utilization of a cost plus arrangement with Penn-Kan it cannot be predicted that the Company will operate at a profit.

The officers, directors or promoters have not received and are not now receiving salaries, fees, or any other compensation from the Company. It is contemplated when the Company enters into its first contract for either

drilling on or servicing of other persons' leases, that salaries will be paid to such persons in such amounts as the Board of Directors may establish. Investors should also recognize that salaries are established by the Board of Directors, and the Board of Directors is controlled by the organizers.

ITEM 16:

DESCRIPTION OF PROPERTY

The personal property consists of a rotary drilling rig, a drilling unit, string of drill stem pipe, and miscellaneous hand tools and other equipment for use in the maintenance and operation thereof, including trucks and automobiles.

ITEM 17:

DIRECTORS AND EXECUTIVE OFFICERS

Walter J. Nelson - President and Director

Walter J. Nelson has been an independent oil operator and has been actively engaged in the oil business for his own account, since 1922. He has acquired production in Kansas. In addition to his years of experience in acquiring and producing oil, he has extensive experience in the business of servicing and operating producing wells. The SAUNDERS FORUM has chosen to publish a feature article regarding Mr. Nelson and his oil operations in its November 7, 1963, issue.

C. L. Clark - Vice President and Director

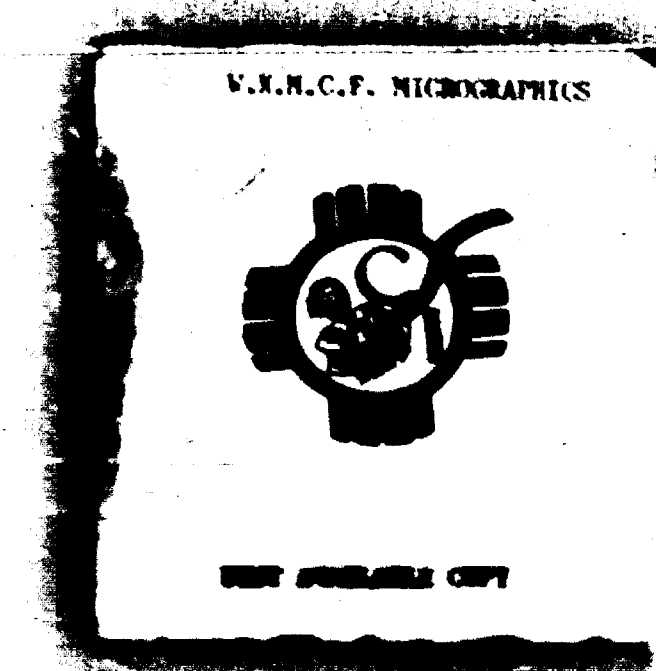
C. L. Clark is a practicing attorney with offices in Salina, Kansas. Representative clients of the firm are: The Marshall Motor Company, Kansas; Western University, The First National Bank and Trust Company of Salina, Kansas; Mr. Clark has had some experience in the oil and gas business in the State of Kansas. He has been County Attorney of Saline County, Kansas. He is a graduate of Washington and Lee, and is a member of the Northwest Kansas Bar Association, the Kansas Bar Association, and the American Bar Association.

Jacqueline C. Nelson - Secretary-Treasurer and Director

Mrs. Nelson is the wife of Walter J. Nelson, and is a native of the State of New York. Mrs. Nelson has had extensive experience as a secretary and bookkeeper. Her experience consists of having done bookkeeping work for the United States Government, and she has been employed as a secretary for Penn-Natural Life Insurance Company, and has been the secretary and bookkeeper for all of Walter J. Nelson's business activities, since he first went into the oil business.

Glenn Mason - Director

Mr. Mason has been engaged in the business of finance and banking in western Kansas for 27 years. Mr. Mason is presently the President of The First National Bank and Trust Company of Salina, Kansas.



Clon A. Abercrombie - Director
Mr. Abercrombie attended Kansas State College, Pottawatomie University, and graduated from the University of Kansas in 1909, with a B.S. degree in Business. He is a graduate of the University of Wisconsin School of Banking and participated in the Bankers Bank Officers Seminar at Harvard University. He is currently President of the Kansas Bank, Minneapolis, Kansas, President of the First National Bank, Kansas City, Kansas, a member of the University of Kansas Development Committee, a member of the local Citizens Advisory Committee for the planning of the North Central Kansas Educational Resource Center, and a member of the Minneapolis, Kansas, Chamber of Commerce.

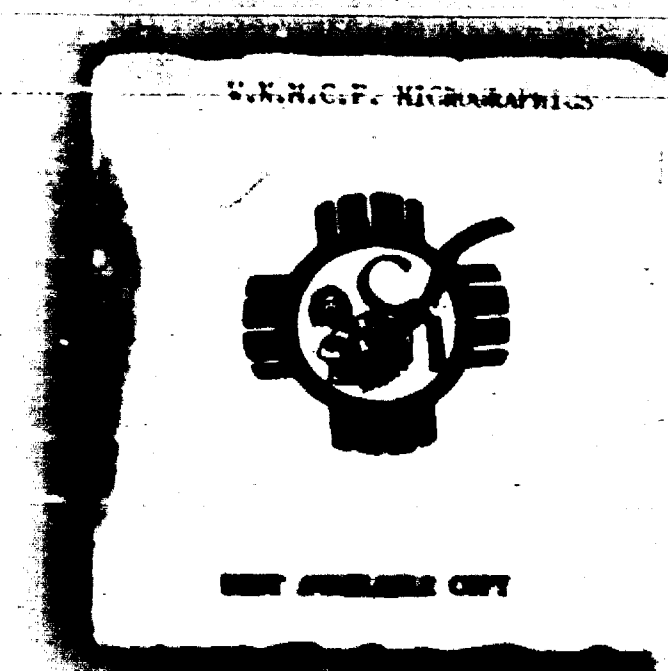
Richard G. Smith - Director
Mr. Smith is a professional geologist, having received a Bachelor of Science degree with a major in Geology and Petroleum Engineering from Kansas State University in 1950. He has served as a staff geologist for Phillips Petroleum Company, and has had wide geological experience in Kansas, Nebraska, Missouri, New Mexico, Oklahoma, and Colorado. He has directly supervised an oil well exploratory drilling program in North and northeast Kansas, a 41-well exploratory and development program in Kansas and Nebraska, a 9,000 foot drilling program in the Texas-Oklahoma-Panhandle area, and has assisted in a gravel-well drilling program in central Kansas. He has been retained by the Bureau of Reclamation to appraise mineral interests (including oil and gas) underlying land in the area of Cloud Reservoir, near Wichita, Kansas. He has done research and subsurface studies in the State of Ohio. Mr. Smith is a member of the American Association of Petroleum Geologists and a member of the Kansas Geological Society. He will be the Chief Staff Geologist for the Company.

Leslie F. Eaton, M.D. - Director
Dr. Eaton has been a practicing general surgeon at Salina, Kansas, since 1930, except for four years during World War II when he served in the United States Army. Dr. Eaton is President of Westport Exchange, Inc., Past President of the Salina Chamber of Commerce, and a Director of the Kansas State Chamber of Commerce.

PENNCO OIL, INC.
Salina - Kansas

REPORT ON EXAMINATION
OCTOBER 31, 1957

KENNEDY AND COE
Certified Public Accountants
Salina - Kansas



KENNEDY AND COE
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Pennaco Oil, Inc.

We have examined the balance sheet of Pennaco Oil, Inc., a Kansas corporation, as of October 31, 1957. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of Pennaco Oil, Inc., at October 31, 1957, in conformity with generally accepted accounting principles.

Respectfully submitted,

Salina, Kansas
November 30, 1957

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PENNACO OIL, INC.
Salina, Kansas

BALANCE SHEET
October 31, 1957

ASSETS		
Current Assets		
Cash		\$ 28
Fixed Assets		
Drilling and servicing equipment (Note 1)		152,248
Deferred charges		
Undeveloped oil and gas leases (Note 2)	\$ 18,230	
Organization costs	— 200	
Total		<u>\$170,496</u>
LIABILITIES		
Current Liabilities		
Accounts payable (Note 3)	12,839	
Accounts payable - stockholders	735	
Notes payable (Note 3)	38,407	
Accrued interest (Note 2)	1,405	52,086
Stockholders' Equity (Note 2)		
Common stock - Par value \$10		
Authorized 30,000 shares		
18,000 shares to be issued when certificates are available	180,000	
Less stock discount	(51,820)	
Total		<u>\$170,496</u>

See accompanying notes to balance sheet which are an integral part hereof.

EXHIBIT "A"

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PERDUE OIL, INC.
Salina, Kansas

NOTES TO BALANCE SHEET
October 31, 1967

1. Drilling and servicing equipment is set forth in Exhibit A at their appraised fair market value as of October 31, 1967. Two independent appraisers determined, by a fair appraisal, the valuation of all of the drilling and servicing equipment transferred to the corporation. Included in the equipment is a drilling rig, which is security under a note to the First State Bank of Salina, Kansas, with a balance due in the amount of \$18,000, and a note to Cabot Corporation, Wayne, Texas, in the amount of \$14,197. A business automobile is also included in the equipment, which is security under a note to the National Bank of America, Salina, Kansas, in the amount of \$1,000.
2. Undeveloped oil and gas leases are set forth in Exhibit A at their appraised fair market value, and are held on acreage in the following states: 9,360 acres in New Mexico, 1,115 acres in Kansas, and 10 acres in California. An independent consulting geologist of recognized standing determined, by market valuation, the fair value of the leases as of October 31, 1967.
3. Perdue Oil, Inc. was incorporated under the laws of the State of Kansas on May 10, 1964, under the former name of Walter J. Helms, Inc. The authorized capital stock upon incorporation was 100 shares with a par value of \$100 per share for a total of \$10,000.

By resolution of the Board of Directors on October 4, 1967, the total amount of authorized capital of the corporation was increased from \$10,000 to \$100,000, to be represented by 10,000 shares of common stock, with a par value of \$10 per share. As of October 31, 1967, Walter J. Helms transferred to the corporation the drilling and servicing equipment and undeveloped oil and gas leases, subject to the accounts and notes payable and accrued interest thereon as set forth under Exhibit A, in exchange for 7,700 shares of common stock, per value of \$10 per share to be issued when certificates are available. The above stock will be issued at a discount in the amount of \$61,840.

