

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: WILLIAM R. NUXHOLL OIL )  
ITS OFFICERS, DIRECTORS, ) File No. 0200608  
EMPLOYEES, AGENTS, AFFILIATES, )  
SUCCESSORS AND ASSIGNS )  
AND WILLIAM NUXHOLL )  
)

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NOTICE OF HEARING

TO THE RESPONDENTS: William Nuxholl Oil  
William Nuxholl  
RR #4, Box 32C  
Teutopolis, Illinois 62467

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 520 South Second Street, Suite 200, Springfield, Illinois 62701, on the 18th day of March, 2004 at the hour of 9:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition should be entered against William Nuxholl Oil, its officers, directors, employees, agents, affiliates, successors and assigns and William Nuxholl (the "Respondents") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

Count I - 12.D Violations

1. That William Nuxholl Oil is a purported corporation which maintains a last know business address of RR #4, Box 32C, Teutopolis, Illinois 62467.

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2. That William Nuxholl is an employee or agent of William Nuxholl Oil and maintains the same last known business address as William Nuxholl Oil.
3. That between October of 2000 to June 2001, the Respondents, William Nuxholl Oil, by and through its officers, directors, employees, agents, affiliates, successors and assigns, and William Nuxholl offered and sold to at least 4 Illinois residents interests in 4 oil wells located in Randolph County and Jackson County, Illinois.
4. That in June of 2001, the Respondents sold interests in an oil well located in Jackson County to at least three Illinois residents without disclosing the existence of overriding interests in said oil well - as evidenced by each contract signed by the Illinois residents stating that the sale involved "No Overrides overriding royalty interest".
5. That the above-referenced interests sold in the oil wells located in Jackson County and Randolph County, Illinois are securities as that term is defined pursuant to Section 2.1 of the Illinois Securities Law [815 ILCS 5/1 et seq.] (the "Act").
6. That Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2a, or those exempt under Section 3, or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
7. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any securities except in accordance with the provisions of the Act.
8. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document required to be filed under any provision of the Act.

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9. That at all times relevant hereto, the Respondents failed to file an application for registration of the above referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois.
10. That the Respondents worked a fraud on the Illinois investors by failing to disclose the existence of overriding interests in the oil wells sold in June, 2001.
11. That by virtue of the foregoing, the Respondents have violated Sections 12.A and 12.D of the Act.
12. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
13. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
14. That by virtue of the foregoing, the Respondents are subject to a fine of up to \$ 10,000.00 per violation and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

Count II - 12.F Violation

1. That William Nuxholl Oil is a purported corporation which maintains a last know business address of RR #4, Box 32C, Teutopolis, Illinois 62467.
2. That William Nuxholl is an employee or agent of William Nuxholl Oil and maintains the same last known business address as William Nuxholl Oil.

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3. That between October of 2000 to June 2001, the Respondents, William Nuxholl Oil, by and through its officers, directors, employees, agents, affiliates, successors and assigns, and William Nuxholl offered and sold to at least 4 Illinois residents interests in 4 oil wells located in Randolph County and Jackson County, Illinois.
4. That in June of 2001, the Respondents sold interests in an oil well located in Jackson County to at least three Illinois residents without disclosing the existence of overriding interests in said oil well - as evidenced by each contract signed by the Illinois residents stating that the sale involved "No Overrides overriding royalty interest".
5. That the above-referenced interests sold in the oil wells located in Jackson County and Randolph County, Illinois are securities as that term is defined pursuant to Section 2.1 of the Illinois Securities Law [815 ILCS 5/1 et seq.] (the "Act").
6. That Section 12.F of the Act provides, inter alia, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
7. That the Respondents worked a fraud on the Illinois investors by failing to disclose the existence of overriding interests in the oil wells sold in June, 2001.
8. That by virtue of the foregoing, the Respondents have violated Sections 12.F of the Act.
9. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection F of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.

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10. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
11. That by virtue of the foregoing, the Respondents are subject to a fine of up to \$ 10,000.00 per violation and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

Dated this 28<sup>th</sup> day of January, 2004



Jesse White  
Secretary of State  
State of Illinois

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Hearing Officer:  
Jon K. Ellis  
1035 South 2<sup>nd</sup>, Street  
Springfield, Ill 62704  
217-528-6835