

United States Oil Fund, LP
Form S-1/A
April 07, 2006

As filed with the Securities and Exchange Commission on April 7, 2006

Registration No. 333-124950

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**PRE-EFFECTIVE
AMENDMENT
NO. 7 TO
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
United States Oil Fund, LP**

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

6799

*(Primary Standard Industrial
Classification Code Number)*

20-2830691

*(I.R.S. Employer
Identification No.)*

**1320 Harbor Bay Parkway, Suite 145
Alameda, California 94502
510.522.3336**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration

statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Units of United States Oil Fund, LP	17,000,000 units	\$61.58	\$1,046,860,000	\$111,362.93

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(d) under the Securities Act of 1933. The price of each unit was estimated based on the closing price of near month oil futures contracts on the New York Mercantile Exchange of \$61.58 on March 7, 2006.

(2) Previously submitted.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL , 2006

PRELIMINARY PROSPECTUS

17,000,000 units

United States Oil Fund, LP

United States Oil Fund, LP, a Delaware limited partnership, is a commodity pool that will issue units that may be purchased and sold on the American Stock Exchange. United States Oil Fund, LP is referred to as USOF throughout this document. The investment objective of USOF is for the units' net asset value to reflect the performance of the spot price of West Texas Intermediate light, sweet crude oil delivered to Cushing, Oklahoma, less USOF's expenses.

This is a best efforts offering. USOF will continuously offer creation baskets consisting of 100,000 units to authorized purchasers through ALPS Distributors, Inc., which is the marketing agent. KV Execution Services, LLC is expected to be the initial authorized purchaser. Authorized purchasers will pay a transaction fee of \$1,000 for the creation of each creation basket. There are no arrangements to place funds in an escrow, trust, or similar account. This will be a continuous offering and will not terminate until all of the registered units have been sold.

The initial authorized purchaser will, subject to conditions, purchase the initial creation basket of 100,000 units at an initial offering price per unit equal to the closing price of near month oil futures contracts for light, sweet crude oil as listed on the New York Mercantile Exchange on the last business day prior to the effective date of the registration statement relating to this Prospectus. The effective date will be the date the initial creation basket is sold and the proceeds are invested. The per unit price of units offered in creation baskets on any subsequent day will be the total net asset value of USOF calculated shortly after the close of the American Stock Exchange on that day divided by the number of issued and outstanding units.

Authorized purchasers will be the only persons that may place orders to create and redeem baskets. An authorized purchaser is under no obligation to create or redeem baskets, and an authorized purchaser is under no obligation to offer to the public units of any baskets it does create. Authorized purchasers that do offer to the public units from the baskets they create will do so at per-unit offering prices that are expected to reflect, among other factors, the trading price of the units on the American Stock Exchange, the net asset value of USOF at the time the authorized purchaser purchased the creation basket and the net asset value of the units at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the oil futures contract market and the market for other oil interests, and are expected to fall between USOF's net asset value and the trading price of the units on the American Stock Exchange at the time of sale. Units initially comprising the same basket but offered by authorized purchasers to the public at different times may have different offering prices. Units are expected to trade in the secondary market on the American Stock Exchange. Units may trade in the secondary market at prices that are lower or higher relative to their net asset value per unit. The amount of the discount or premium in the trading price relative to the net asset value per unit may be influenced by various factors, including the number of investors who seek to purchase or sell units in the secondary market and the liquidity of the oil futures contract market and the market for other oil interests. Authorized purchasers will not be required to sell any specific number or dollar amount of units.

USOF is not a mutual fund registered under the Investment Company Act of 1940 and is not subject to regulation under such Act.

Some of the risks of investing in USOF include:

Investing in oil interests subjects USOF to the risks of the oil industry and this could result in large fluctuations in the price of USOF's units.

If certain correlations do not exist, then investors may not be able to use USOF as a cost-effective way to invest indirectly in oil or as a hedge against the risk of loss in oil-related transactions.

USOF does not expect to make cash distributions.

USOF and its general partner may have conflicts of interest, which may permit them to favor their own interests to your detriment.

USOF has no operating history so there is no performance history to serve as a basis for you to evaluate an investment in USOF.

Investing in USOF involves other significant risks. See What Are the Risk Factors Involved with an Investment in USOF? starting on page 11.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION (SEC) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OFFERED IN THIS PROSPECTUS, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE COMMODITY FUTURES TRADING COMMISSION (CFTC) HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS POOL NOR HAS IT PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

This prospectus is in two parts: a disclosure document and a statement of additional information. These parts are bound together, and both contain important information.

	Per Unit	Per Basket
Price of the units in the first basket sold	\$	\$

The date of this prospectus is April , 2006.

**COMMODITY FUTURES TRADING COMMISSION
RISK DISCLOSURE STATEMENT**

YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN A COMMODITY POOL. IN SO DOING, YOU SHOULD BE AWARE THAT FUTURES AND OPTIONS TRADING CAN QUICKLY LEAD TO LARGE LOSSES AS WELL AS GAINS. SUCH TRADING LOSSES CAN SHARPLY REDUCE THE NET ASSET VALUE OF THE POOL AND CONSEQUENTLY THE VALUE OF YOUR INTEREST IN THE POOL. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT YOUR ABILITY TO WITHDRAW YOUR PARTICIPATION IN THE POOL.

FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL BEGINNING ON PAGE 66 AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, ON PAGE 7.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMMODITY POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN THIS COMMODITY POOL, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, BEGINNING ON PAGE 11.

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY POOL MAY TRADE FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION TO THE POOL AND ITS PARTICIPANTS. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE TRANSACTIONS FOR THE POOL MAY BE EFFECTED.

**AS OF THE DATE OF THIS PROSPECTUS THIS POOL HAD NOT COMMENCED
TRADING AND DID NOT HAVE ANY PERFORMANCE HISTORY**

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Until _____, 2006 (25 days after the date of this prospectus), all dealers effecting transactions in the offered units, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

Prospectus Summary

This is only a summary of the Prospectus and, while it contains material information about USOF and its units, it does not contain or summarize all of the information about USOF and the units contained in this Prospectus that is material and/or which may be important to you. You should read this entire Prospectus, including "What Are the Risk Factors Involved with an Investment in USOF?" beginning on page 11, before making an investment decision about the units.

Overview of USOF

United States Oil Fund, LP, a Delaware limited partnership ("USOF" or "Us" or "We"), is a commodity pool that will issue units that may be purchased and sold on the American Stock Exchange. USOF changed its name from New York Oil ETF, LP to United States Oil Fund, LP on September 30, 2005. The investment objective of USOF is for the units' net asset value ("NAV") to reflect the performance of the spot price of West Texas Intermediate ("WTI") light, sweet crude oil delivered to Cushing, Oklahoma ("WTI light, sweet crude oil"), less USOF's expenses.

USOF will invest in futures contracts for WTI light, sweet crude oil, other types of crude oil, heating oil, gasoline, natural gas, and other petroleum-based fuels that are traded on the New York Mercantile Exchange or other U.S. and foreign exchanges (collectively, "Oil Futures Contracts") and other oil interests such as cash-settled options on Oil Futures Contracts, forward contracts for oil, and over-the-counter transactions that are based on the price of oil, other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing (collectively, "Other Oil Interests"). The general partner, Victoria Bay Asset Management, LLC ("General Partner"), which is registered as a commodity pool operator, is authorized by the Agreement of Limited Partnership ("LP Agreement") to manage USOF. The General Partner is authorized by USOF in its sole judgment to employ, establish the terms of employment for, and terminate commodities trading advisors or futures commission merchants.

USOF seeks to achieve its investment objective by investing in a mix of Oil Futures Contracts and Other Oil Interests such that USOF's NAV will closely track the price of a specified Oil Futures Contract ("Benchmark Oil Futures Contract"). The General Partner believes the Benchmark Oil Futures Contract historically exhibited a close correlation with the spot price of WTI light, sweet crude oil. On any Valuation Day (a Valuation Day is any day as of which USOF calculates its NAV), the Benchmark Oil Futures Contract is the near month futures contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange unless the near month futures contract will expire within two weeks of the Valuation Day, in which case the Benchmark Oil Futures Contract is the second to nearest out month futures contract for WTI light, sweet crude oil traded on the New York Mercantile Exchange. "Near Month Contract" means the next contract traded on the New York Mercantile Exchange due to expire; "Second to Nearest Out Month Contract" means the first contract traded on the New York Mercantile Exchange due to expire after the Near Month Contract. This convention is used to define the Benchmark Oil Futures Contract because the General Partner believes from its review of past market activity that most Oil Futures Contracts traded on the New York Mercantile Exchange are closed out or offset by the parties prior to the settlement date of the contract and there is lighter trading during the days immediately preceding settlement. Because there is lighter trading during the two-week period prior to settlement, the trading price of the Near Month Contract may not provide as accurate a reflection of the spot price of oil. The General Partner generally intends to invest in the Second to Nearest Out Month Contract during this period.

More specifically, the General Partner will endeavor to place USOF's trades in Oil Futures Contracts and Other Oil Interests and otherwise manage USOF's investments so that A will be within plus/minus 10 percent of B, where:

A is the average daily change in USOF's NAV for any period of 30 successive Valuation Days, and

B is the average daily change in the price of the Benchmark Oil Futures Contract over the same period.

The General Partner believes that market arbitrage opportunities will cause USOF's unit price on the American Stock Exchange to closely track USOF's NAV per unit. The General Partner further believes that the prices of the Benchmark Oil Futures Contract have historically closely tracked the spot prices of WTI light, sweet crude oil. The General Partner believes that the net effect of these two expected relationships and the expected relationship described above between USOF's NAV and the Benchmark Oil Futures Contract, will be that the price of USOF's units on the American Stock Exchange will closely track the spot price of a barrel of WTI light, sweet crude oil, less USOF's expenses.

USOF will also invest in obligations of the United States government with remaining maturities of two years or less (Treasuries) and hold cash and cash equivalents to be used to meet its current or potential margin or collateral requirements with respect to its investments in Oil Futures Contracts and Other Oil Interests. USOF does not expect there to be any meaningful correlation between the performance of USOF's investments in Treasuries/cash/cash equivalents and the changes in the price of WTI light, sweet crude oil. While the level of interest earned on or market price of these investments may in some respect correlate to changes in the price of oil, this correlation is not anticipated as part of USOF's efforts to meet its objectives. This and certain risk factors discussed in this Prospectus may cause a lack of correlation between USOF's NAV and the price of WTI light, sweet crude oil.

The General Partner will employ a neutral investment strategy intended to track the spot price of WTI light, sweet crude oil regardless of whether the price of oil goes up or goes down. USOF's neutral investment strategy is designed to permit investors generally to purchase and sell USOF's units for the purpose of investing indirectly in oil in a cost-effective manner, and/or to permit participants in the oil or other industries to hedge the risk of losses in their oil-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in oil and/or the risks involved in hedging may exist. In addition, an investment in USOF involves the risk that the price of USOF's units will not accurately track the spot price of WTI light, sweet crude oil.

USOF will create and redeem units only in blocks called Creation Baskets and Redemption Baskets, respectively. Only Authorized Purchasers may purchase or redeem Creation Baskets or Redemption Baskets. An Authorized Purchaser is under no obligation to create or redeem baskets, and an Authorized Purchaser is under no obligation to offer to the public units of any baskets it does create. It is expected that baskets will be created when there is sufficient demand for units that the market price per unit is at a premium to the NAV per unit. Authorized Purchasers will then sell such units, which will be listed on the American Stock Exchange, to the public at prices that are expected to reflect, among other factors, the trading price of the units on the American Stock Exchange, the NAV of USOF at the time the Authorized Purchaser purchased the Creation Baskets and the NAV at the time of the offer of the units to the public, the supply of and demand for units at the time of sale, and the liquidity of the Oil Futures Contracts market and the market for Other Oil Interests, and are expected to fall between USOF's NAV and the trading price of the units on the American Stock Exchange at the time of sale. Similarly, it is expected that baskets will be redeemed when the market price per unit is at a discount to the NAV per unit. Retail investors seeking to purchase or sell units on any day are expected to effect such transactions in the secondary market, on the American Stock Exchange, at the market price per unit, rather than in connection with the creation or redemption of baskets.

The minimum number of Creation Baskets that must be sold is one. All proceeds from the sale of Creation Baskets will be invested as quickly as possible in the investments described in this Prospectus. There will be no escrow or similar holding of funds that has a time period or other conditions. Investments will be held through Brown Brothers Harriman & Co., USOF's Custodian or, through accounts with USOF's commodities futures brokers. There is no stated maximum time period for USOF's operations and the fund will continue until all units are redeemed or the fund is liquidated pursuant to the terms of the LP Agreement.

There is no specified limit on the maximum amount of Creation Baskets that can be sold. At some point, position limits on certain of the futures contracts in which USOF intends to invest may practically limit the maximum amount of Creation Baskets that will be sold if the General Partner determines that

the other investment alternatives available to USOF at that time will not enable it to meet its stated investment objective.

Units may also be purchased and sold in smaller increments on the American Stock Exchange. However, these transactions will be effected at bid and ask prices established by specialist firm(s). Like any listed security, units of USOF can be purchased and sold at any time a secondary market is open.

In managing USOF's assets the General Partner does not intend to use a technical trading system that issues buy and sell orders. The General Partner does intend to employ quantitative methodologies whereby each time one or more baskets are purchased or sold, the General Partner will purchase or sell Oil Futures Contracts and Other Oil Interests with an aggregate face amount that approximates the amount of Treasuries and /or cash received or paid upon the purchase or sale of the basket(s).

Note to Secondary Market Investors: The units can be directly purchased from or redeemed by USOF only in Creation Baskets or Redemption Baskets, respectively, and only by Authorized Purchasers. Each Creation Basket and Redemption Basket will consist of 100,000 units and is expected to be worth several million dollars. Individual investors, therefore, will not be able to directly purchase units from or redeem units with USOF. Some of the information contained in this Prospectus, including information about buying and selling units directly from and to USOF is only relevant to Authorized Purchasers. Units will also be listed and traded on the American Stock Exchange and may be purchased and sold as individual units. Individuals interested in purchasing units in the secondary market should contact their broker. Units purchased or sold through a broker may be subject to commissions.

Except when aggregated in Redemption Baskets, units will not be redeemable securities. There is no guarantee that units will trade at or near NAV.

USOF was organized as a limited partnership under Delaware law on May 12, 2005. USOF is operated pursuant to the LP Agreement, which is included as Appendix B. It is managed and controlled by the General Partner, Victoria Bay Asset Management, LLC. The General Partner is registered as a commodities pool operator (CPO) with the National Futures Association (NFA).

The Units

The units are registered as securities under the Securities Act of 1933 (1933 Act) and will not provide dividend rights or conversion rights and there will not be sinking funds. The units may only be redeemed when aggregated in Redemption Baskets as discussed under Creations and Redemptions and limited partners will have limited voting rights as discussed under Who is the General Partner? Cumulative voting will neither be permitted nor required and there will be no preemptive rights. As discussed in the LP Agreement, upon liquidation of USOF, its assets will be distributed pro rata to limited partners based upon the number of units held. Each limited partner will receive its share of the assets in cash or in kind, and the proportion of such share that is received in cash may vary from partner to partner, as the General Partner in its sole discretion may decide.

This will be a continuous offering under Rule 415 of the 1933 Act and it will terminate when all of the registered units have been sold. It is anticipated that when all registered units have been sold, additional units will be registered in subsequent continuous offerings. As discussed above, the minimum purchase requirement for Authorized Purchasers is a Creation Basket, which will consist of 100,000 units. Under the plan of distribution, USOF does not require a minimum purchase amount for investors who purchase units from Authorized Purchasers. There are no arrangements to place funds in an escrow, trust, or similar account.

USOF's Investments in Oil Interests

USOF will invest in Oil Futures Contracts and Other Oil Interests. For convenience and unless otherwise specified, Oil Futures Contracts and Other Oil Interests collectively are referred to as oil

interests in this Prospectus. A brief description of the principal types of oil interest-related instruments in which USOF may invest is set forth below.

An oil futures contract is a standardized contract traded on a futures exchange that calls for the future delivery of a specified quantity of oil at a specified time and place.

An oil forward contract is a supply contract between principals, not traded on an exchange, to buy or sell a specified quantity of oil at or before a specified date at a specified price.

A spot contract for oil is a cash market transaction in which the buyer and seller agree to the immediate purchase and sale of oil, usually with a two-day settlement. Spot contracts are not uniform and are not exchange-traded.

An option on an oil futures contract, forward contract or oil on the spot market gives the buyer of the option the right, but not the obligation, to buy or sell a futures contract, forward contract or oil, as applicable, at a specified price on or before a specified date. Options on futures contracts are standardized contracts traded on an exchange, while options on forward contracts and oil on the spot market, referred to collectively in this Prospectus as over-the-counter options, generally are individually negotiated, principal-to-principal contracts not traded on an exchange.

Over-the-counter contracts (such as swap contracts) generally involve an exchange of a stream of payments between the contracting parties. Over-the-counter contracts generally are not uniform and not exchange-traded. A more detailed description of oil interests and other aspects of the oil and oil interest markets can be found later in this Prospectus.

As noted, USOF expects to invest primarily in Oil Futures Contracts, including those traded on the New York Mercantile Exchange. USOF expressly disclaims any association with such Exchange or endorsement of USOF by such Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.

Principal Investment Risks of an Investment in USOF

An investment in USOF involves a degree of risk. Some of the risks you may face are summarized below. A more extensive discussion of these risks appears beginning on page 11.

Unlike mutual funds, commodity pools or other investment pools that actively manage their investments in an attempt to realize income and gains from their investing activities and distribute such income and gains to their investors, USOF generally does not expect to distribute cash to limited partners or other unitholders. You should not invest in USOF if you will need cash distributions from USOF to pay taxes on your share of income and gains of USOF, if any, or for any other reason.

There is the risk that the price of USOF's units on the American Stock Exchange will not closely track the spot price of WTI light, sweet crude oil. This could happen if the price of units traded on the American Stock Exchange does not correlate closely with USOF's NAV; USOF's NAV does not closely correlate with the price of the Benchmark Oil Futures Contract; or the price of the Benchmark Oil Futures Contract does not closely correlate with the cash or spot price of WTI light, sweet crude oil. This is a risk because if these correlations do not exist, then investors may not be able to use USOF as a cost-effective way to invest indirectly in oil or as a hedge against the risk of loss in oil-related transactions.

USOF seeks to have its NAV track the spot price of WTI light, sweet crude oil rather than profit from speculative trading of oil interests. The General Partner will therefore endeavor to manage USOF's positions in oil interests so that USOF's assets are, unlike other commodities pools, not leveraged (*i.e.*, so that the aggregate value of USOF's unrealized losses from its investments in such oil interests at any time will not exceed the value of USOF's assets). There is no assurance that the General Partner will successfully implement this investment strategy. If the General Partner permits USOF to become leveraged, you could lose all or substantially all of your investment if

USOF's trading positions suddenly turn unprofitable. These movements in price may

be the result of factors outside of the General Partner's control and may not be anticipated by the General Partner.

Investors may choose to use USOF as a means of investing indirectly in oil and there are risks involved in such investments. Among other things, the crude oil industry experiences numerous operating risks. These operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil spills, natural gas leaks, ruptures and discharges of toxic gases. Crude oil operations also are subject to various U.S. federal, state and local regulations that materially affect operations.

Investors, including those who participate in the oil industry, may choose to use USOF as a vehicle to hedge against the risk of loss and there are risks involved in hedging activities. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedgor's opportunity to benefit from a favorable market movement.

USOF will invest primarily in Oil Futures Contracts, and particularly in Oil Futures Contracts traded on the New York Mercantile Exchange. Representatives of the New York Mercantile Exchange have asserted certain claims regarding USOF's operations and the Exchange's service marks and settlement prices of oil futures contracts traded on the Exchange.

The New York Mercantile Exchange initially claimed that USOF's use of the Exchange's service marks would cause confusion as to USOF's source, origin, sponsorship or approval, and constitute infringement of the Exchange's trademark rights and unfair competition and dilution of the Exchange's marks. In response to these claims, the General Partner changed USOF's name. In addition, USOF expressly disclaims any association with the Exchange or endorsement of USOF by the Exchange and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of such Exchange.

The General Partner has also engaged in discussions with the New York Mercantile Exchange regarding a possible license agreement. In this regard, USOF received a letter from the Exchange dated March 29, 2006 in which the Exchange stated that it would cause the cessation of any market data vendor's provision of New York Mercantile Exchange settlement prices to USOF and/or take other action to prevent USOF from using any New York Mercantile Exchange settlement prices unless USOF enters into a license agreement with the Exchange, or has indicated in writing that it will cease from using any Exchange settlement prices. USOF will continue to seek an amicable resolution to this situation. It is evaluating the current draft of the license agreement in view of this letter but is also taking into account a recent New York federal district court decision against the NYMEX that found under similar circumstances that NYMEX's intellectual property rights, including those related to its settlement prices, were significantly limited. USOF and the General Partner have retained separate counsel to represent them in this matter.

At this time, USOF is unable to determine what the outcome from this matter will be. For example, if the resolution or lack of resolution of this matter results in a material restriction on, or significant additional expense associated with, the use of the New York Mercantile Exchange's oil futures contract settlement prices, USOF may be required to invest to a greater degree than currently anticipated in Oil Futures Contracts traded on commodity exchanges other than the New York Mercantile Exchange and Other Oil Interests. This may adversely affect USOF's ability to achieve its investment objective.

Separately, Goldman, Sachs & Co. (Goldman Sachs) sent USOF a letter on March 17, 2006, providing USOF notice under 35 U.S.C. Section 154(d) of two pending United States patent applications, Publication Nos. 2004/0225593A1 and 2006/0036533A1. Both patent applications are generally directed to a method and system for creating and administering a publicly traded interest in a commodity pool. In particular, the Abstract of each patent application defines a means for creating and administering a publicly traded interest in a commodity pool

that includes the steps of forming a commodity pool having a first position in a futures contract and a corresponding second position in a margin investment, and issuing equity interest of the commodity pool to third party

investors. USOF Units are equity interests in a publicly traded commodity pool. In addition, USOF will directly invest in futures contracts and hold other investments to be used as margin for its future contract positions. If patents were to be issued to Goldman Sachs based upon these patent applications as currently drafted, and USOF continued to operate as currently contemplated after the patents were issued, claims against USOF and the General Partner for infringement of the patents may be made by Goldman Sachs. However, as these patent applications are pending and have not been substantively examined by the U.S. Patent and Trademark Office, it is uncertain at this time what subject matter will be covered by the claims of any patent issuing on one of these applications, should a patent issue at all.

Under the provisions of 35 U.S.C. § 154(d), Goldman Sachs may seek damages in the form of a reasonable royalty from the date the Units are publicly offered for sale to the date one of their cited patent applications issues as a U.S. Patent if, and only if, the invention as claimed in the issued patent is substantially identical to the invention as claimed in the published patent application. To obtain a reasonable royalty under 35 U.S.C. § 154(d), one of Goldman Sachs' patents must issue and then it must be proved that post-issuance acts or systems of USOF infringe a valid claim of the issued patent, and that the infringed claim is substantially identical to one of the claims in the corresponding published application. If at the time a Goldman Sachs patent issues, USOF does not infringe the claims of the issued patent based on its current design or through modifications made prior to issuance, or if any infringed issued claim is not substantially identical to a published claim, then Goldman Sachs will not be able to obtain a reasonable royalty under 35 U.S.C. § 154(d). At this time neither of Goldman Sachs' patent applications have been substantively examined by an examiner at the U.S. Patent and Trademark Office nor are they currently being considered for examination on an expedited basis under a Petition to Make Special, and considering that both have been placed in Class 705 for examination, which has an average pendency of approximately 44-45 months to issuance (or abandonment) and an issuance rate of approximately 11% in 2004, it is likely that neither application will issue within the next two years. Nonetheless, USOF currently is reviewing the Goldman Sachs published patent applications, and is engaged in discussions with Goldman Sachs regarding their pending applications and USOF's own pending patent application. At this time, due in part to the requirements of 35 U.S.C. § 154(d) and the fact that the Goldman Sachs patent applications are pending and have not been issued as U.S. Patents, USOF is unable to determine what the outcome from this matter will be.

USOF expects to invest primarily in Oil Futures Contracts that are traded in the United States. However, a portion of USOF's trades may take place in markets and on exchanges outside the United States. Some non-U.S. markets present risks because they are not subject to the same degree of regulation as their U.S. counterparts. In some of these non-U.S. markets, the performance on a contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes USOF to credit risk. Trading in non-U.S. markets also leaves USOF susceptible to fluctuations in the value of the local currency against the U.S. dollar.

USOF may also invest in Other Oil Interests, many of which are negotiated contracts that are not as liquid as Oil Futures Contracts and expose USOF to credit risk that its counterparty may not be able to satisfy its obligations to USOF.

USOF will pay fees and expenses that are incurred regardless of whether it is profitable.

You will have no rights to participate in the management of USOF and will have to rely on the duties and judgment of the General Partner to manage USOF.

The structure and operation of USOF may involve conflicts of interest. For example, a conflict may arise because the General Partner and its principal and affiliates may trade for themselves. In addition, the General Partner has sole current authority to manage the investments and operations, which may create a conflict with the unitholders

best interests. In addition, other conflicts may arise.

USOF is new and has no operating history. Therefore, there is no performance history of this fund to serve as a basis for you to evaluate an investment in it.

For additional risks, see [What Are the Risk Factors Involved with an Investment in USOF?](#)

Principal Offices of USOF and the General Partner

USOF's principal office is located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. The telephone number is 510.522.3336. The General Partner's principal office is also located at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502.

Financial Condition of USOF

USOF will not calculate the NAV prior to the effective date. The initial NAV will be determined as of 4:00 pm New York time on the effective date.

Defined Terms

For a glossary of defined terms, see Appendix A.

Breakeven Analysis*

The breakeven analysis below indicates the approximate dollar returns and percentage required for the redemption value of a hypothetical \$61.35 initial investment in a single unit to equal the amount invested twelve months after the investment was made. (We based the \$61.35 assumption on the spot price of WTI light, sweet crude oil as traded on the New York Mercantile Exchange on March 7, 2006.) This breakeven analysis refers to the redemption of baskets by Authorized Purchasers and is not related to any gains an individual investor would have to achieve in order to break even. The breakeven analysis is an approximation only.

	Units
Assumed initial selling price per unit	\$ 61.22
Management Fee (0.50%)**	\$.3062
Creation Basket Fee	\$ (.01)
Estimated Brokerage Fee (0.35%***)	\$ 0.215
Interest Income (3.93%****)	\$ (2.41)
Amount of trading income (loss) required for the redemption value at the end of one year to equal the initial selling price of the unit	\$ (1.8989)
Percentage of initial selling price per unit	(3.10%)

* Authorized Purchasers will pay a transaction fee of \$1,000 to USOF for each order they place to create or redeem one or more baskets.

** USOF is contractually obligated to pay the General Partner a management fee based on daily net assets and paid monthly of 0.50% per annum on average net assets of \$1,000,000,000 or less. For purposes of this example we assumed that the average net assets are \$1,000,000,000 or less. If the average net assets were greater than \$1,000,000,000 then the management fee would be 0.20% and the breakeven amount would be lower.

*** USOF determined this estimate as follows. The breakeven analysis assumes an initial investment by an investor in one unit. USOF would be required to issue one Creation Basket of 100,000 units in order for the investor to purchase the one unit. Assuming the price of the units was \$61.35, USOF would receive \$6,135,000 upon the sale of the basket. USOF would be required to purchase and sell (in order to close out) 100 oil futures contracts at \$61,350 per contract (1,000 barrels of oil per contract × \$61.35 per barrel) during each month of the year, or 1,200 contracts bought and sold per year. Futures commission merchants typically charge approximately \$9.00 per contract buy or sale (\$18.00 per buy and sale, or round turn), so the total annual commission charge would be \$21,600 (1,200 contracts per year × \$18 per buy and sell per contract). As a percentage of the total investment of \$6,135,000 to support the issuance of the Creation Basket, USOF's annual commission expense would be 0.35% (\$21,600 ÷ \$6,135,000).

**** USOF will earn interest on Treasuries and it estimates that the interest rate will be 3.93% based on the current interest rate on three-month Treasury Bills as of October 28, 2005. The actual rate may vary because various Treasuries with remaining maturities of two years or less may be used.

The Offering
Offering

USOF will be offering Creation Baskets consisting of 100,000 units through ALPS Distributors, Inc. (Marketing Agent) as marketing agent to Authorized Purchasers. The initial Authorized Purchaser will purchase the initial Creation Basket of 100,000 units at an initial offering price per unit equal to the closing price of Near Month oil futures contracts for WTI light, sweet crude oil as listed on the New York Mercantile Exchange on the first business day prior to the effective date of the registration statement to which this Prospectus relates. The effective date will be the date the first Creation Basket is sold and the proceeds are invested.

Use of Proceeds

The General Partner will initially apply all of USOF's assets toward trading in oil interests and investing in Treasuries, cash and cash equivalents. The General Partner expects to deposit substantially all of USOF's net assets with the futures commission merchant or other custodian to be used to meet its current or potential margin or collateral requirements in connection with its investment in oil interests. USOF will use only Treasuries or cash or cash equivalents to satisfy these requirements. The General Partner expects that all entities that will hold or trade USOF's assets will be based in the United States and will be subject to United States regulations. The General Partner believes that 5% to 10% of USOF's assets will normally be committed as margin for commodity futures contracts. However, from time to time, the percentage of assets committed as margin may be substantially more, or less, than such range. The remaining portion of USOF's assets will be held in Treasuries and/ or cash or cash equivalents by its custodian, Brown Brothers Harriman & Co. (Custodian) or posted as collateral to support USOF's investments in oil interests. All interest income earned on these investments will be retained for USOF's benefit.

American Stock Exchange
Symbol

USO

Creation and Redemption

Authorized Purchasers will pay a \$1,000 fee for the creation or redemption of each Creation Basket. Authorized Purchasers will not be required to sell any specific number or dollar amount of units. The per unit price of units offered in Creation Baskets on any day after the effective date of the registration statement relating to this Prospectus will be the total NAV of USOF calculated shortly after the close of the American Stock Exchange on that day divided by the number of issued and outstanding units.

Withdrawal

As discussed in the LP Agreement, if the General Partner gives at least fifteen (15) days' written notice to a limited partner, then the General Partner may for any reason, in its sole discretion, require any such limited partner to withdraw entirely from the partnership or to withdraw a portion of his partner capital account. If the General Partner does not give at least fifteen (15) days' written notice to a limited partner, then it may only require withdrawal of all or any portion of the capital account of any limited partner in the following circumstances:

(i) the unitholder made a misrepresentation to the General Partner in connection with its purchase of units; or (ii) the limited partner's ownership of units would result in the violation of any law or regulations applicable to the partnership or a partner.

Registration Clearance and Settlement

Individual certificates will not be issued for the units. Instead, units will be represented by one or more global certificates, which will be deposited by the Custodian with the Depository Trust Company (DTC) and registered in the name of Cede & Co., as nominee for DTC. The global certificates evidence all of the units outstanding at any time. Unitholders are limited to (1) participants in DTC such as banks, brokers, dealers and trust companies (DTC Participants),(2) those who maintain, either directly or indirectly, a custodial relationship with a DTC Participant (Indirect Participants), and(3) those banks, brokers, dealers, trust companies and others who hold interests in the units through DTC Participants or Indirect Participants, in each case who satisfy the requirements for transfers of units. DTC Participants acting on behalf of investors holding units through such participants' accounts in DTC will follow the delivery practice applicable to securities eligible for DTC's Same-Day Funds Settlement System. Units will be credited to DTC Participants' securities accounts following confirmation of receipt of payment.

The administrator, Brown Brothers Harriman & Co. (Administrator) has been appointed registrar and transfer agent for the purpose of registering and transferring units. The General Partner will recognize transfer of units only if such transfer is done in accordance with the LP Agreement, including the delivery of a transfer application.

Net Asset Value

The NAV is calculated by taking the current market value of USOF's total assets and subtracting any liabilities. Under USOF's current operational procedures, the Administrator calculates the NAV of USOF's units as of the earlier of 4:00 p.m. New York time or the close of the New York Stock Exchange each day. The American Stock Exchange currently calculates an approximate net asset value every 15 seconds throughout each day USOF's units are traded on the American Stock Exchange for as long as the New York Mercantile Exchange's main pricing mechanism is open.

Fund Expenses

USOF will pay the General Partner a management fee of 0.50% of NAV on the first \$1,000,000,000 of assets and 0.20% of NAV after the first \$1,000,000,000 of assets. Brokerage fees for Treasuries, Oil Futures Contracts, and Other Oil Interests are estimated to be 0.35% and will be paid to unaffiliated brokers. USOF will also pay the futures commission merchant's fee which is estimated to be \$9.00 per buy or sell. The General Partner, and not USOF, is responsible for payment of the fees of USOF's Marketing Agent, Administrator and Custodian. USOF and/or the General Partner may be required to indemnify the

Marketing Agent, Administrator or Custodian under certain circumstances.

Termination Events

USOF shall continue in effect from the date of its formation in perpetuity, unless sooner terminated upon the occurrence of any one or more of the following events: the death, adjudication of incompetence, bankruptcy, dissolution, withdrawal, or removal of a General Partner who is the sole remaining General Partner, unless a majority in interest of limited partners within ninety (90) days after such event elects to continue the partnership and appoints a successor general partner; or the affirmative vote of a majority in interest of the limited partners subject to certain conditions. Upon termination of the partnership, the affairs of the partnership shall be wound up and all of its debts and liabilities discharged or otherwise provided for in the order of priority as provided by law. The fair market value of the remaining assets of the partnership shall then be determined by the General Partner. Thereupon, the assets of the partnership shall be distributed pro rata to the partners in accordance with their units.

Authorized Purchasers

We expect the initial Authorized Purchaser to be KV Execution Services, LLC. We expect subsequent Authorized Purchasers to purchase or redeem Creation Baskets or Redemption Baskets, respectively, from or to USOF. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with the General Partner.

What Are the Risk Factors Involved with an Investment in USOF?

You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this Prospectus, including USOF's financial statements and the related notes.

Risks Associated With Investing Directly or Indirectly in Oil

Investing in oil interests subjects USOF to the risks of the crude oil industry and this could result in large fluctuations in the price of USOF's units.

USOF is subject to the risks and hazards of the crude oil industry because it invests in oil interests. The risks and hazards that are inherent in the oil industry may cause the price of oil to widely fluctuate. If USOF's units accurately track the spot price of WTI light, sweet crude oil, then the price of its units may also fluctuate.

The risks of crude oil drilling and production activities include the following:

no commercially productive crude oil or natural gas reservoirs will be found;

crude oil and natural gas drilling and production activities may be shortened, delayed or canceled;

the ability of an oil producer to develop, produce and market reserves may be limited by:

title problems,

political conflicts, including war

weather conditions,

compliance with governmental requirements,

refinery capacity, and

mechanical difficulties or shortages or delays in the delivery of drilling rigs and other equipment;

decisions of the cartel of oil producing countries (*e.g.*, OPEC, the Organization of the Petroleum Exporting Countries), to produce more or less oil;

increases in oil production due to price rises may make it more economical to extract oil from additional sources and may later temper further oil price increases; and

economic activity of users, as certain economies' oil consumption increases (*e.g.*, China, India) and as economies contract (in a recession or depression), oil demand and prices fall.

The crude oil industry experiences numerous operating risks. These operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil spills, natural gas leaks, ruptures and discharges of toxic gases.

Crude oil operations also are subject to various U.S. federal, state and local regulations that materially affect operations. Matters regulated include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells and pooling of properties and ta