MINUTE ITEM

This Calendar Item No. 46 was approved as Minute Item No. 46 by the California State Lands Commission by a vote of 3 to 0 at its 6-2-03 meeting.

Minute Item
46

A) 35

S) 18, 19

06/02/03
PRC 2894.1
A. Nitsche

HARVEST NATURAL RESOURCES, INC. (FORMERLY BENTON OIL AND GAS COMPANY) (APPLICANT)

Regular Calendar Item 46: Staff made a presentation to the Commission pertaining to a quitclaim of an offshore oil and gas lease by Harvest Natural Resources. The item was approved unanimously as presented.

CALENDAR ITEM
46

A) 35 06/02/03
PRC 2894.1
S) 18, 19 A. Nitsche

CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM OF OIL AND GAS LEASE NO. PRC 2894.1, GAVIOTA AREA, SANTA BARBARA COUNTY

LESSEE:

Harvest Natural Resources
c/o Mr. Kevin Rupp
93 Loyola Ave.
Ventura, CA 93003

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 2894.1 contains 4,250 acres of tide and submerged lands in the vicinity of Gaviota, Santa Barbara County, California.

BACKGROUND:

Oil and Gas Lease No. PRC 2894.1 (Lease) contains the above described lands (leased lands) and was issued to Chevron and Shell by competitive bid on June 28, 1962. Shell Western E&P, Inc. assigned its fifty percent (50%) interest in PRC 2894 to Molino Energy Company on August 3, 1994. Chevron USA, Inc. assigned its fifty percent (50%) interest in PRC 2894.1 to Molino Energy Company on July 11, 1997. Molino Energy Company assigned forty percent (40%) of its interest to Benton Oil and Gas Company July 11, 1997. Molino Energy Company assigned the rest of its interest in PRC 2894.1 on April 24, 2001, to Harvest Natural Resources, Inc. (formerly Benton Oil and Gas Company). Under the terms of the Lease, the lessee is required to pay an annual rental of $1.00 per acre ($4,250.00). Two wells were drilled into the PRC 2894.1. Both wells were properly abandoned, and there are no outstanding obligations on this lease.

On January 31, 2003, the Commission's Long Beach office received the document "(Full) Quitclaim Deed for State Oil and Gas Lease." This document was dated January 24, 2003, and quitclaims back to the State all of the lessee's right, title and interest in the leased lands described in Exhibit A, attached hereto, of Oil and Gas Lease No. PRC 2894.1, dated June 28, 1962.

A review of the Commission's files reveals that no default exists on the Lease, that the lessee has complied with all applicable laws and Lease provisions and has paid all applicable royalties and rentals.

The lease, one of three in the Gaviota area operated by Harvest Natural Resources, was a small part of the now terminated gas development. However, this lease was part of a larger oil and gas development project named "Manatee" by the original lessee, and was being considered for potential future development by the current lessee. Staff estimated that the total project could produce as much as 100 million barrels of oil, which, if developed, could have generated as much as $366 million in royalty to the State. However, the potential for oil development was not sufficient to generate the outside investment needed for the lessee to undertake development. The "Manatee" reservoirs were spread out over all three leases. The other two leases are currently also being considered for quitclaim as soon as lease obligations are completed.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code section 6804.1 and Lease Paragraph 4.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

   Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

A. Location Map
B. Executed Quitclaim

PERMIT STREAMLINING ACT DEADLINE:
N/A

RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

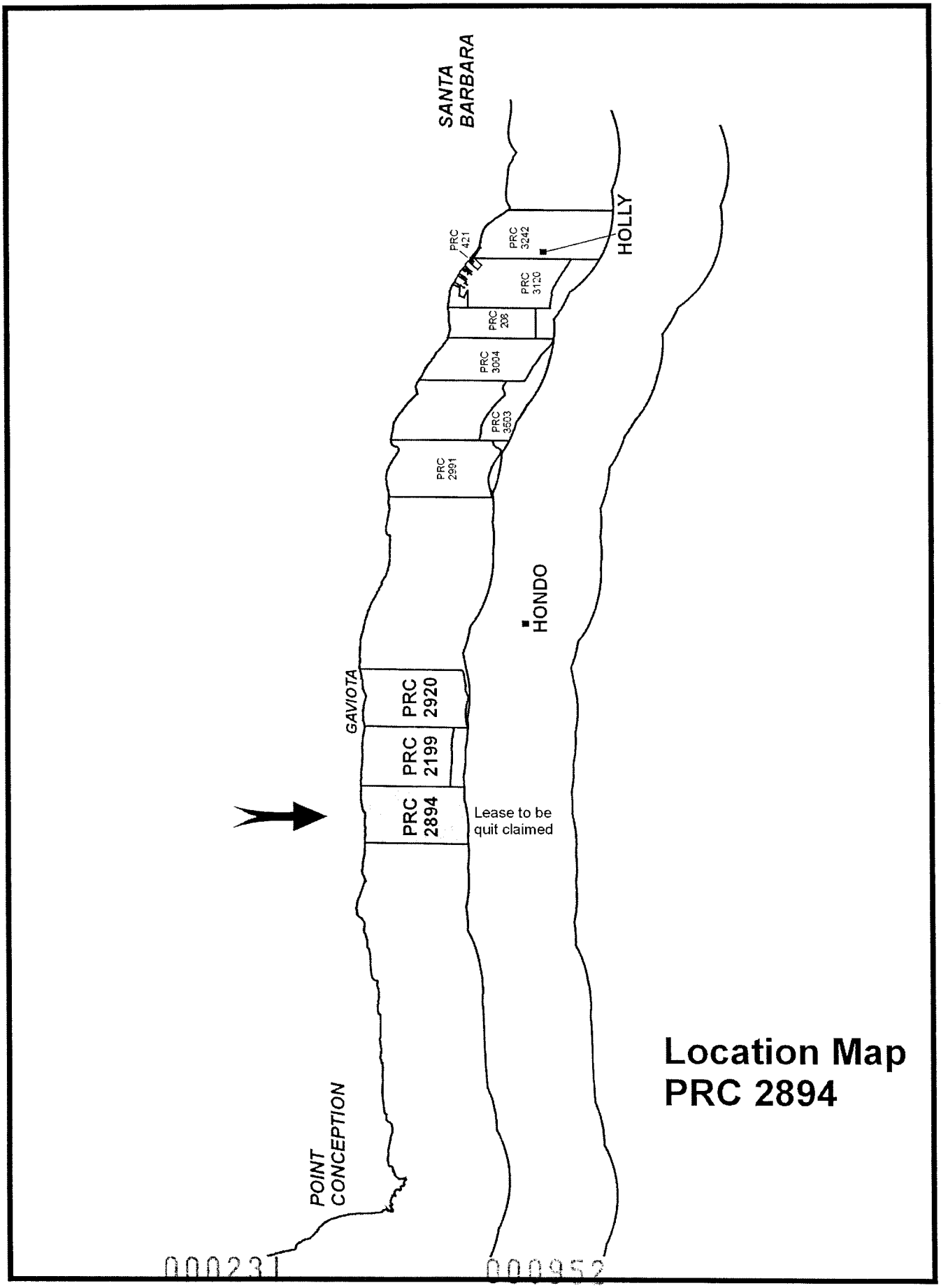
CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

1. ACCEPT FROM HARVEST NATURAL RESOURCES, INC. (LESSEE) THE (FULL) QUITCLAIM DEED FOR OIL AND GAS LEASE NO. PRC 2894.1, DATED JANUARY 24,2003, WHEREIN THE LESSEE QUITCLAIMS BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS DESCRIBED IN EXHIBIT A, ATTACHED HERETO, OF OIL AND GAS LEASE NO. PRC 2894.1, DATED JUNE 28, 1962.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.



Location Map
PRC 2894

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202
Attn: Title Unit

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation
Pursuant to Government Code Section 27383

No Tax Due

SPACE ABOVE THIS LINE FOR RECORDER'S USE

LEASE QUITCLAIM DEED
FOR STATE OIL AND GAS LEASE

State Oil and Gas Lease No. PRC 2894.1 (Lease), covering certain State lands located in Santa Barbara County (ies) State of California, was issued by the State of California, acting through the California State Lands Commission (State), on June 28,1962, and was recorded in the Official Records of _____ County, as _____, on _____.

(Attach additional recording information if leased lands are located in and Lease is recorded in more than one county.)

Harvest Natural Resources, Inc. (fka Benton Oil and Gas Company) (Lessee) is the present holder of the Lease.

Pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under the Lease or any portion of the Lease comprising a 10-acre parcel or multiple thereof in compact form, or of any separate or distinct zone or geological horizon thereof underlying such 10-acre parcel or multiple thereof.

Acting in accordance with such terms, the Lessee does hereby release, remise and forever quitclaim unto the State of California all of its right, title and interest in and to the State lands held by virtue of the Lease, which lands are or portion is described in the attached Exhibit A.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this 24 day of January, 2003

LESSEE: _____

By: _____
(Signature)

Kurt A. Nelson
(Name of Officer)

VP + Controller
(Title)

State of Texas County of Harris

This instrument was acknowledged before me on January 24, 2003 by Kurt A. Nelson, Vice President and Controller of Harvest Natural Resources, Inc., a Delaware corporation, on behalf of said corporation.

Shirley W. Jarrell
Notary Public's Signature

SHIRLEY W. JARRELL
Notary Public, State of Texas
My Commission Expires
September 13, 2006

Acknowledgement

Exhibit "A"

DESCRIPTION OF THE PROPERTY

All of Harvest Natural Resources Inc.' s right, title and interest in and to those certain tracts of tide and submerged lands, situated in the County of Santa Barbara, State of California, being described as follows:

State Lease PRC 2894.1

That area of tide and submerged lands bounded on the West by California Coordinate System, Zone 5, grid line having an X value of 1,320,570; on the East by a grid line having an X value of 1,330,720; on the landward (northerly) boundary by the ordinary high water mark of the Pacific Ocean; on the seaward (southerly) boundary by a line parallel to the ordinary high water mark and seaward therefrom 3 nautical miles; containing 4,250.14 acres.