

MINUTE ITEM

This Calendar Item No. C55 was approved as Minute Item No. 55 by the California State Lands Commission by a vote of 3 to 0 at its 12/9/04 meeting.

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**CALENDAR ITEM
C55**

A 35, 37

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12/09/04
PRC 2199.1
J. Planck

**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM OF
OFFSHORE OIL & GAS LEASE NO. PRC 2199.1,
OFFSHORE GAVIOTA AREA
SANTA BARBARA COUNTY, CALIFORNIA**

LESSEE:

Harvest Natural Resources, Inc.
c/o Mr. Kevin Rupp
400 Brevard Avenue
Ventura, CA 93003

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 2199.1 contains approximately 3,840 acres of tide and submerged lands in the vicinity of Gaviota, Offshore Santa Barbara County, California.

BACKGROUND:

Oil and Gas Lease No. PRC 2199.1 (Lease) was originally issued to Humble Oil and Standard Oil of California in July 1958, and has produced over 85 billion cubic feet of gas during its productive life. Through a series of assignments and name changes, the lease (subsurface only) is currently held by Harvest Natural Resources, Inc. (Harvest).

The lease was assigned to Molino Energy Company (predecessor to Harvest), covering the subsurface only, and was the subject of a development plan to drill and produce the lease from an onshore site. An EIR, for development of the offshore gas fields from an onshore drilling and production site, was prepared and certified by the County of Santa Barbara (County) on September 3, 1996. On September 11, 1996, the California Coastal Commission considered and approved an amendment to the Santa Barbara County Local Coastal Plan to allow for the development. The California State Lands Commission (Commission) approved the development plan at a regularly scheduled meeting on July 11, 1997.

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The onshore drilling and production site was approximately three acres in size and located within a County designated Consolidated Oil and Gas Planning Area. In 1998, Molino, and its partner, Benton Oil and Gas, drilled an extended reach gas well into the lease. The drilling was difficult and expensive, and although tests showed the presence of gas and condensate, the well was unable to produce at economic levels. The well was plugged and abandoned to current state standards.

Public Resources Code section 6804.1, and Lease Paragraph 5, permit the lessee to make a written quitclaim of all rights under the lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof, in a compact form, at any time. The quitclaim is effective when it is filed with the State subject to the continued obligation of the lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on the leased lands.

The Commission's Long Beach office staff received the document "Lease Quitclaim Deed for State Oil and Gas Lease" on October 26, 2004. This document was dated October 25, 2004, 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 2199.1 dated July 25, 1958.

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 rentals (no royalty is due as the leased lands were not developed).

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1 and Lease Paragraph 5.

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.

CALENDAR ITEM NO. C55 (CONT'D)

EXHIBITS:

- A. Land Description
- B. Location Map
- C. Quitclaim Deed

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.

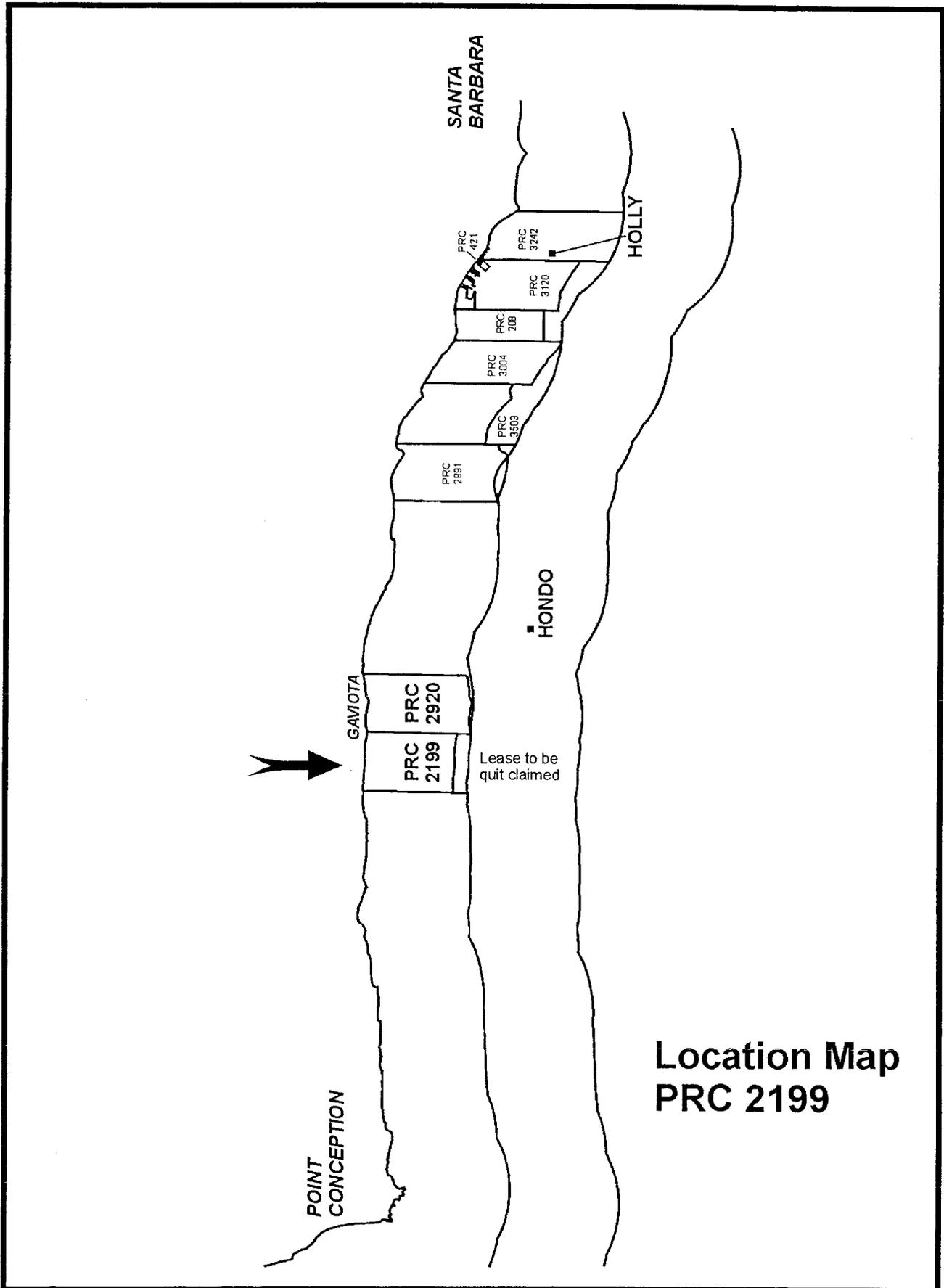
AUTHORIZATION:

1. ACCEPT FROM HARVEST NATURAL RESOURCES, INC., (LESSEE) THE (FULL) QUITCLAIM DEED FOR OIL AND GAS LEASE DATED OCTOBER 25, 2004, 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 2199.1 DATED JULY 25, 1958.
2. RELEASE HARVEST NATURAL RESOURCES, INC., FROM ALL OBLIGATIONS UNDER OIL AND GAS NO. LEASE PRC 2199.1 ACCRUING AFTER OCTOBER 25, 2004, THE FILING DATE OF THE QUITCLAIM DEED.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

EXHIBIT A

LAND DESCRIPTION

THAT AREA OF TIDE AND SUBMERGED LANDS BOUNDED ON THE WEST BY CALIFORNIA COORDINATE SYSTEM, ZONE 5, GRID LINE HAVING AN X VALUE OF 1,330,720; ON THE EAST BY A GRID LINE HAVING AN X VALUE OF 1,341,280; 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 STATUTE MILES; CONTAINING 3, 840 ACRES.





HARVEST

October 25, 2004

File Ref: PRC 2199.1
Offshore Santa Barbara, CA

Jeff Planck
Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

Dear Mount:

As we discussed, Harvest Natural Resources, Inc., is interested in finalizing the quitclaim of State Lease PRC 2199.1.

Attached in triplicate is the full, complete and notarized Quitclaim Deed for State Lease, PRC 2199.1 to replace the previously provided documents and submittal. We request the Quitclaim be added to the State Lands Commission agenda for action

Kevin Rupp has been designated to act on the behalf of Harvest and any questions can be directed to him at:

400 Brevard Avenue
Ventura, CA 93003
(805) 644-2990 Phone
(805) 340-0498 Cell
(805) 644-2166 Fax

Thank you for your cooperation and assistance.

Sincerely,

Kurt Nelson
Vice President and Controller

Attachments

cc: Kevin Rupp

HARVEST NATURAL RESOURCES, INC.

1177 ENCLAVE PARKWAY SUITE 300 HOUSTON, TEXAS 77077 PH: 281.899.5700 FAX: 281.899.5702 HARVESTNR.COM

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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 2199.1 (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 July 25, 1958, and was recorded in the Official Records of Santa Barbara 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 (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 of 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.

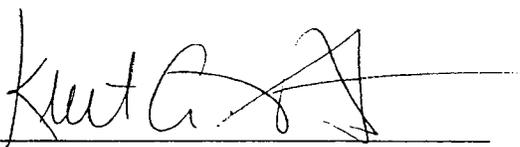
Acting in accordance with such terms, the **Lessee** does hereby release, remise and forever quitclaim unto the **State of California** all of its right, title and interest in and to the State lands or that portion of the State lands held by virtue of the Lease, which lands are or portion is described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

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IN WITNESS WHEREOF, this Quitclaim Deed is executed this 25th day of October, 2004.

LESSEE: Harvest Natural Resources

By: 
(Signature)

Kurt A. Nelson
(Name of Officer)

Vice President & Controller
(Title)

STATE OF TEXAS
COUNTY OF HARRIS

On October 25, 2004, before me, Ivy P. Nulisch, a notary public in and for the state of Texas, personally appeared Kurt A. Nelson, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument of the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature 

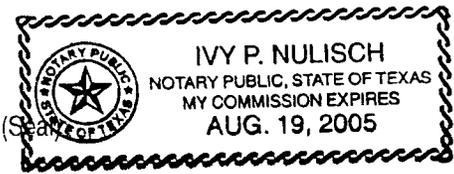


Exhibit "A"

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 2199.1

That area off tide and submerged lands bounded on the West by California Coordinate System, Zone 5, grid line having an X value of 1,330,720; on the East by a grid line having an X value of 1,341,280; 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 statute miles; containing 3,840 acres.