

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

CHAPARRAL RESOURCES INC
Form DEF 14A
July 07, 2004

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

<input type="checkbox"/>	Preliminary Proxy Statement	<input type="checkbox"/>	Confidential, For Use of the
<input checked="" type="checkbox"/>	Definitive Proxy Statement		Commission Only (as permitted by
<input type="checkbox"/>	Definitive Additional Materials		Rule 14a-6(e) (2))
<input type="checkbox"/>	Soliciting Material Under Rule 14a-12		

CHAPARRAL RESOURCES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
 Fee computed on table below per Exchange Act Rule 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

 Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CHAPARRAL
CHAPARRAL RESOURCES, INC.

Notice and Proxy Statement

June 28, 2004

Dear Stockholder:

We are pleased to invite you to the Annual Meeting of Stockholders of Chaparral Resources, Inc. The meeting will be held on August 2, 2004 at 9:00 a.m., Greenwich Mean Time, at the Inter-Continental London, One Hamilton Place, Hyde Park Corner, London W1J 7QY.

At the meeting, you and the other stockholders will be asked to vote on the following:

1. the election of five directors to the Board of Directors of Chaparral; and
2. the ratification of the appointment of Ernst & Young as the independent auditors of Chaparral for fiscal year 2004.

You will also hear an overview of Chaparral's current and prior year operations from senior management to be followed by a question and answer session open to all stockholders. Our Annual Report, which is enclosed with this Proxy Statement, contains other detailed information about Chaparral, including its audited financial statements for the year ended December 31, 2003.

Stockholders are urged to carefully read this Proxy Statement in its entirety before voting on the proposals. This Proxy Statement and the enclosed proxy card are being mailed to stockholders on or about June 28, 2004.

We hope you can join us on August 2, 2004. Regardless of whether you expect to attend the meeting in person, please read the Proxy Statement. When you have done so, please mark your votes on the enclosed proxy card, sign and date it, and return it to us in the enclosed postage-paid envelope. It is important that your shares be represented, and your promptness will assist us in making necessary preparations for the meeting.

Sincerely,

/x/ R. Frederick Hodder

R. Frederick Hodder
Chairman of the Board

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

CHAPARRAL
CHAPARRAL RESOURCES, INC.

Notice of Annual Meeting of Stockholders
To be held August 2, 2004

Chaparral Resources, Inc. will hold its Annual Meeting of Stockholders on August 2, 2004 at 9:00 a.m., Greenwich Mean Time, at:

The Inter-Continental London
One Hamilton Place
Hyde Park Corner
London W1J 7QY

We are holding this meeting to consider and act upon the following matters that are more fully described in the accompanying Proxy Statement, including proposals to:

1. elect five directors to the Board of Directors of Chaparral;
2. ratify the appointment of Ernst & Young as the independent auditors of Chaparral for fiscal year 2004; and
3. consider such other business as may properly come before the meeting or any adjournment of the meeting.

The Board of Directors has selected June 22, 2004 as the record date for determining stockholders entitled to notice of and to vote at the meeting and any adjournment of the meeting. A list of stockholders as of the record date will be available for inspection at the corporate headquarters of Chaparral for ten days before the meeting.

IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE DATE, SIGN, AND MAIL PROMPTLY THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

A copy of Chaparral's 2003 Annual Report is enclosed. Please read the Annual Report in its entirety.

By Order of the Board of Directors,

/x/ Alan D. Berlin

Alan D. Berlin
Secretary

White Plains, NY
June 28, 2004

CHAPARRAL
CHAPARRAL RESOURCES, INC.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Annual Meeting of Stockholders To Be Held August 2, 2004

This Proxy Statement is furnished to stockholders of Chaparral for use at the Annual Meeting of Stockholders to be held at 9:00 a.m., Greenwich Mean Time, at the Inter-Continental London, One Hamilton Place, Hyde Park Corner, London W1J 7QY, or at any postponements or adjournments of the meeting for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The approximate date on which this Proxy Statement and the enclosed proxy card are first being sent to stockholders is June 28, 2004.

TABLE OF CONTENTS

	Page
1. General Information.....	3
2. Proposal for Shareholder Action:.....	5
Proposal One: Election of Directors.....	5
Nominees.....	5
Recommendation of the Board	6
Proposal Two: Ratification of Independent Auditors.....	7
Recommendation of the Board.....	7
3. Other Matters.....	7
4. Beneficial Ownership of Certain Stockholders, Directors, Nominees and Executive Officers.....	7
5. Section 16(a) Beneficial Ownership Reporting Compliance.....	9
6. Equity Compensation Plan Information.....	9
7. Board and Committee Matters.....	10
Remuneration of Directors.....	10
Director Interlocks.....	10
Meetings of the Board and its Committees.....	10
Communication with the Board.....	11
Audit Committee Financial Expert.....	11
Report of the Audit Committee of the Board of Directors.....	11
Certain Relationships and Related Transactions.....	12
8. Executive Compensation.....	13
Summary Compensation Table.....	13
Option/SAR Grants.....	13
Aggregated Option/SAR Exercises and Year-End Option/SAR Value Table.....	14
Insider Participation in Compensation Decisions and Compensation Committee Report on Executive Compensation.....	14
Compensation Philosophy.....	14
Compensation Structure.....	14
Compensation of the Chief Executive Officer.....	15
Executive Compensation Deductibility.....	15
Compensation Committee Interlocks and Insider Participation.....	15
9. Stock Performance Graph.....	16
Appendix A - Audit Committee Charter.....	A-1
Appendix B - Corporate Governance Committee Charter.....	B-1

1. GENERAL INFORMATION

Q: Who is soliciting my proxy?

A: We, the Board of Directors of Chaparral (the "Board"), are sending you this Proxy Statement in connection with our solicitation of proxies for use at Chaparral's Annual Meeting of Stockholders. Specified directors, officers,

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

and employees of Chaparral may also solicit proxies on our behalf by mail, phone, fax, or in person.

Q: Who is paying for this solicitation?

A: Chaparral will pay for the solicitation of proxies, including the cost of preparing, assembling, and mailing this Proxy Statement, the proxy card, the Annual Report and all other materials which may be sent to stockholders in connection with this solicitation.

Q: On what am I voting?

A: You will have the chance to vote on, specifically:

- o the election of : R. Frederick Hodder, Nicholas P. Greene , Peter G. Dilling, Alan D. Berlin, and Simon K. Gill, to the Board; and
- o the ratification of the appointment of Ernst & Young as Chaparral's independent auditors for fiscal year 2004.

Q: Who can vote?

A: Only holders of Chaparral's Common Stock at the close of business on June 22, 2004, the record date for the Annual Meeting, can vote. If you beneficially owned any Common Stock on the record date, you have one vote per share of Common Stock.

Q: How do I vote?

A: You may vote your shares either in person or by proxy. To vote by proxy, you should mark, date, sign, and mail the enclosed proxy card in the postage-paid envelope. Granting a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person; by voting in person you will revoke your proxy. You may also revoke your proxy at any time before the vote at the meeting by providing Chaparral's Secretary written notice of your revocation or by submitting a later-dated proxy. If you return your proxy but do not mark your voting preferences, Marina Townsley and Nick Imboden, the proxy holders, will vote your shares as follows:

- o FOR the election of each of the nominees for director; and
- o FOR the ratification of the appointment of the independent auditors.

Q: What constitutes a quorum?

A: On the record date, Chaparral had 38,209,502 shares of Common Stock issued and outstanding. In order for the Annual Meeting to be properly held, a majority of the outstanding shares (a quorum) must be present at the meeting or represented by proxy.

Q: What vote is required to approve each proposal?

A: For the election of directors, the affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy card marked WITHHOLD AUTHORITY with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. For all matters other than the election of directors, the affirmative vote of a majority of the votes cast by person or by proxy at the Annual Meeting is required for approval of such matter. A properly executed proxy marked ABSTAIN with respect to any other matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, if there are any other items on which the stockholders vote at the Annual Meeting, an abstention will have the effect of a negative vote on such other item.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Q: What if my shares are held in "street name?"

A: If you hold your shares in "street name" through a broker or other nominee, your broker or nominee may only exercise voting discretion with respect to matters deemed routine by NASD, such as the election of directors and the selection of independent auditors. On a non-routine matter, a broker or other nominee cannot cast a vote (a so-called "broker non-vote"). Broker non-votes will not be treated as votes cast, and therefore, will not affect the outcome of the matters referred to above.

Q: Can I vote on other matters?

A: The matters presented at an annual meeting are limited to those properly presented by the Board and those properly presented by stockholders. We have not received notice from any stockholder as to any matter to come before the Annual Meeting other than as set forth herein. If any other matter is presented at the Annual Meeting, your signed proxy gives Ms. Townsley and Mr. Imboden, the proxy holders, authority to vote your shares.

Q: How does the Board recommend I vote on the proposals?

A: Unless you give other instructions on your proxy card, Ms. Townsley and Mr. Imboden, the proxy holders, will vote in accordance with the recommendations of the Board. The Board recommends a vote FOR:

- o the election of the nominated slate of directors (see page 5); and
- o the ratification of the appointment of the independent auditors (see page 7).

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board, or if no recommendation is given, in their own discretion.

Q: What is the deadline for stockholder proposals for next year's Annual Meeting?

A: Stockholders may submit proposals on matters appropriate for stockholder action at future annual meetings by following the rules of the Securities and Exchange Commission. If we do not receive notice of any other matter that a stockholder wishes to raise at our 2005 Annual Meeting by March 1, 2005 and a matter is raised at that meeting, the proxies will have discretionary authority to vote on the matter. All proposals and notifications should be addressed to Chaparral's Secretary: Chaparral Resources, Inc., 2 Gannett Drive, Suite 418, White Plains, New York 10604.

Q: How do I get copies of the exhibits filed with Chaparral's Form 10-K?

A: A copy of Chaparral's Annual Report for 2003, which contains Chaparral's Form 10-K and consolidated financial statements, was delivered to you with this Proxy Statement. Chaparral will provide to any stockholder as of the record date, who so specifically requests in writing, copies of the exhibits filed with Chaparral's Form 10-K for a reasonable fee. Requests for such copies should be directed to Chaparral's Secretary, Chaparral Resources, Inc., 2 Gannett Drive, Suite 418, White Plains, New York 10604. In addition, copies of all exhibits filed electronically by Chaparral may be reviewed and printed from the SEC's website at: www.sec.gov.

2. PROPOSALS FOR SHAREHOLDER ACTION

Proposal 1. Election of Directors

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Nominees.

At the Annual Meeting, you and the other stockholders will elect five individuals to serve as directors until the next annual meeting of stockholders to be held in 2005, until their successors are duly elected or appointed or until their death, resignation, or removal. Each of the nominees is currently a member of the Board.

The individuals named as proxies will vote the enclosed proxy for the election of all nominees, unless you direct them to withhold your votes. If any nominee becomes unable to serve as a director before the Annual Meeting, an event that is not presently anticipated, discretionary authority may be exercised by the persons named as proxies to vote for substitute nominees proposed by the Board.

The nominees for director, each of whom has consented to serve, if elected, are as follows:

Name of Nominee -----	Director Since -----	Age ---	Principal Occupation During the Last 5 Years -----
R. Frederick Hodder	2004	62	Mr. Hodder has served as Chief Financial Officer of Nelson Resources Limited since July 2002. From 1998 to 1999, Mr. Hodder was President of Kazakhstan Investment Management LLP. From 1995 to 1998, he served as Senior Vice President of the Central Asian-American Enterprise Fund. Mr. Hodder has been appointed as Chairman of the Board of Directors of Chaparral on May 2004.
Nicholas P. Greene	2004	56	Since 2003, Mr. Greene has been an independent financial advisor, active in providing support for cross border trade and acquisitions. Previously, Mr. Greene was Senior Vice President of the Structured Finance Department in AKB Rosbank, a Russian universal bank with principal offices in Moscow and, prior to that, a Vice President at Access Industries Inc, a privately owned investment management company, with offices in New York and Moscow. Prior to joining Access Industries Inc, Mr. Greene was with WestLB Girozentrale in Duesseldorf, Germany, as Executive Director of the Structured Commodity Trade Finance Group, and in New York, as Managing Director of the Leveraged Capital Group. Before joining WestLB, Mr. Greene worked in various executive capacities at Dresdner Bank and Chase Manhattan Bank. Mr. Greene was appointed a Director of Chaparral on May 19, 2004.

5

Name of Nominee -----	Director Since -----	Age ---	Principal Occupation During the Last 5 Years -----
Peter G. Dilling	2002	54	From 1995 to 1997, Mr. Dilling held various positions with Chaparral, including Vice Chairman of the Board. Since 2000, Mr. Dilling has served as President and Chief Executive Officer and as a director of Trinidad Exploration and Development, Ltd., an oil and gas exploration company. He has served as President and

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Chief Executive Officer, and as a Director of Anglo-African Energy, Inc., an exploration and production company, since 1999. Prior to joining Anglo-African, Mr. Dilling was President and a director of M-D International Petroleum, Inc., an exploration and production company, from 1994 to 1997.

Alan D. Berlin	2002	64	Since 1995, Mr. Berlin has been a partner of the law firm Aitken Irvin Berlin & Vrooman, LLP. He was engaged in the private practice of law for over five years prior to joining Aitken Irvin. Mr. Berlin served as a Director of Chaparral in 1997 and was the Secretary of Chaparral from January 1996 to August 1997. Since June 1998, he has served Chaparral in the same position. From 1985 to 1987, Mr. Berlin was the President of the International Division of Belco Petroleum Corp. and held various other positions with Belco Petroleum Corp. and Belco Oil and Gas Corp. from 1977 to 2001. Mr. Berlin has been appointed an Honorary Associate of the Centre for Petroleum and Mineral Law and Policy at the University of Dundee, Scotland, and is a member of the Association of International Petroleum Negotiators.
Simon K. Gill	2004	48	Mr. Gill has been the Chief Executive Officer of Chaparral since May 2004. Since October 2003, Mr. Gill has served as Aktau Regional Manager of Nelson Resources Ltd.. Prior to October 2003, Mr. Gill was employed by Texaco (ChevronTexaco) for 24 years. Between 1979 and 1990 he filled a number of engineering positions in Trinidad and Angola, before moving into management positions as Offshore Operations Manager - Angola, Assistant to the General Manager - Trinidad, Exploration Team Leader - Houston and from 1998 to Oct 2003 as General Manager of Texaco North Buzachi in Aktau, Kazakhstan. Mr. Gill is a member of the Society of Petroleum Engineers.

Recommendation of the Board.

The Board recommends that stockholders vote FOR each of the nominees to serve as directors of Chaparral.

Proposal 2. Ratification of Independent Auditors

The Board has appointed Ernst & Young, certified public accountants, as auditors to examine the consolidated financial statements of Chaparral for the fiscal years ending December 31, 2003 and 2004, and to perform other appropriate audit and advisory services and is requesting ratification of such appointment by the stockholders. In the event that the stockholders do not ratify the appointment of Ernst & Young, the adverse vote will be considered as a direction to the Board to select other auditors for the next fiscal year. However, because of the difficulty and expense of making any substitution of auditors after the beginning of the current fiscal year, it is contemplated that the appointment for the fiscal year ending December 31, 2004 will be permitted to stand, unless the Board finds other reasons for making a change. It is understood that even if the selection of Ernst & Young is ratified, the Board, in its discretion, may

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

direct the appointment of a new independent accounting firm at any time during the year if the Board feels that such a change would be in the best interests of Chaparral and its stockholders.

Representatives of Ernst & Young will be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. This proposal will be approved if it receives the affirmative vote of holders of a majority of the shares of Common Stock voted or represented and entitled to vote at the Annual Meeting.

Recommendation of the Board.

The Board recommends that stockholders vote FOR the proposal to ratify the appointment of Ernst & Young as Chaparral's independent auditors for fiscal year 2004.

3. OTHER MATTERS

As of the date of this proxy statement, the Board of Directors is not informed of any matters, other than those stated above, that may be brought before the meeting. The persons named in the enclosed form of proxy or their substitutes will vote with respect to any such matters in accordance with their best judgment.

4. BENEFICIAL OWNERSHIP OF CERTAIN STOCKHOLDERS, DIRECTORS, NOMINEES, AND EXECUTIVE OFFICERS

The following table sets forth information as of June 22, 2004, with respect to directors, nominees, named executive officers of Chaparral and each person who is known by Chaparral to own beneficially more than 5% of our Common Stock, and with respect to shares owned beneficially by all directors, nominees, and executive officers of Chaparral as a group. The address for all directors and executive officers of Chaparral is 2 Gannett Drive, Suite 418, White Plains, New York 10604.

7

Name of Beneficial Owner	Position	Amount and Nature Beneficial Ownersh (1)
NRL Acquisition Corp. ("NRL") c/o Corporation Trust Company 1209 Orange Street Wilmington, DE 19801	--	26,002,624 (2)
Nelson Resources, Limited ("Nelson") c/o Commonwealth & British Services, 19 Berkeley Street, 7th Fl. London UK, W1J 8ED	--	26,002,624 (3)
Allen & Company Incorporated 711 Fifth Avenue New York, New York 10022	--	5,642,578 (4)
Whittier Ventures, LLC	--	4,113,122

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

1600 Huntington Drive
South Pasadena, California 91030

R. Frederick Hodder	Chairman of the Board	26,002,624 (5)
Ian Connor	Director - Former Chairman of the Board	--
Nicholas P. Greene	Director	--
Peter G. Dilling	Director	--
Alan D. Berlin	Director and Corporate Secretary	167 (6)
Simon K. Gill	Director and Chief Executive Officer	--
Miguel C. Soto	VP - Finance and Chief Financial Officer and Treasurer	--
Nikolai D. Klinchev	Former Director and Chief Executive Officer	500,084 (7)
Askar Alshinbayev	Former Director	--
John Duthie	Former Director	--
Jonathan S. Wood	Former VP - Finance and Chief Financial Officer	--
Richard J. Moore	Former VP - Finance and Chief Financial Officer	--
All current directors, nominees, and executive officers as a group (seven persons)	--	26,002,791

* Represents less than 1% of the shares of Common Stock outstanding.

- (1) Beneficial ownership of Common Stock has been determined for this purpose in accordance with Rule 13d-3 under the Exchange Act, under which a person is deemed to be the beneficial owner of securities if such person has or shares voting power or investment power with respect to such securities, has the right to acquire beneficial ownership within 60 days or acquires such securities with the purpose or effect of changing or influencing the control of Chaparral.
- (2) In accordance with Rule 13d-3(d) (1) (i) (A), includes 3,076,923 shares underlying warrants to purchase shares of Common Stock. Does not include shares owned directly by officers and stockholders of NRL with respect to which NRL disclaim beneficial ownership. Officers and stockholders of NRL may be deemed to beneficially own shares of the Common Stock reported to be beneficially owned directly by NRL.
- (3) In accordance with Rule 13d-3(d) (1) (i) (A), includes 3,076,923 shares underlying warrants to purchase shares of Common Stock. Nelson owns 100% of

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

NRL Acquisition Corp. and, as a result, Nelson has a pecuniary interest in the shares beneficially owned by NRL and has voting power and investment power over such shares and, thus, may be deemed to beneficially own such shares. Does not include shares owned directly by officers and stockholders of Nelson with respect to which Nelson disclaim beneficial ownership. Officers and stockholders of Nelson may be deemed to beneficially own shares of the Common Stock reported to be beneficially owned directly by Nelson.

- (4) Does not include shares owned directly by officers and stockholders of Allen Holding and Allen & Company with respect to which Allen Holding and Allen & Company disclaim beneficial ownership. Officers and stockholders of Allen Holding and Allen & Company may be deemed to beneficially own shares of the Common Stock reported to be beneficially owned directly by Allen Holding and Allen & Company.
- (5) In accordance with Rule 13d-3(d)(1)(i)(A), includes 3,076,923 shares underlying warrants to purchase shares of Common Stock. Mr. Hodder has a pecuniary interest in the shares beneficially owned by NRL and has voting power and investment power over such shares and, thus, may be deemed to beneficially own such shares.
- (6) Includes 167 shares owned by Mr. Berlin.
- (7) In accordance with Rule 13d-3(d)(1)(i)(A), includes 500,000 shares beneficially owned by NK Cayman Limited.

5. SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under U.S. securities laws, directors, executive officers and persons holding more than 10% of Common Stock must report their initial ownership of Common Stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for such reports and Chaparral must identify in this Proxy Statement those persons who did not file such reports when due.

Based solely upon a review of Forms 3 and 4 and any amendments furnished to Chaparral during our fiscal year ended December 31, 2003, and Form 5 and any amendments furnished to Chaparral with respect to the same fiscal year, we believe that our directors, officers, and greater than 10% beneficial owners complied with all applicable Section 16 filing requirements, except that Mr. Klinchev failed to file, on a timely basis, a report representing one transaction for fiscal year ended December 31, 2003.

6. EQUITY COMPENSATION PLAN INFORMATION

1998 Incentive and Non-statutory Stock Option Plan

On June 26, 1998, the stockholders approved the 1998 Incentive and Non-statutory Stock Option Plan (the "1998 Plan"), pursuant to which up to 50,000 options to acquire Chaparral's common stock may be granted to officers, directors, employees, or consultants of Chaparral and its subsidiaries. The stock options granted under the 1998 Plan may be either incentive stock options or nonstatutory stock options. The 1998 Plan has an effective term of ten years, commencing on May 20, 1998. Chaparral has not granted any options under the 1998 Plan as of December 31, 2003.

9

2001 Stock Incentive Plan

In June 2001, Chaparral's stockholders approved the 2001 Stock Incentive Plan, which sets aside a total of 2.14 million shares of Chaparral's common

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

stock for issuance to Chaparral's officers, directors, employees, and consultants. Chaparral has not made any grants under the 2001 Stock Incentive Plan as of December 31, 2003.

7. BOARD AND COMMITTEE MATTERS

Remuneration of Directors.

During the fiscal year ended December 31, 2002, Chaparral implemented a standard compensation arrangement for its directors, including providing (i) \$700 in compensation to each director for each board or committee meeting attended via teleconference, (ii) \$1,000 in compensation to each director for each board or committee meeting attended in person, (iii) \$2,000 in compensation per day while traveling on Chaparral related business, including board meetings, and (iv) \$2,500 in quarterly compensation for serving on Chaparral's Board.

Director Interlocks.

Mr. Hodder, a Director and current Chairman of Chaparral, is the Chief Financial Officer for Nelson. Mr. Gill, a Director and current Chief Executive Officer, currently serves as Aktau Regional Manager of Nelson Resources Limited.

Meetings of the Board and its Committees

During the fiscal year 2003, Chaparral held six Board meetings. The Board had several committees, including the Compensation Committee, the Audit Committee, and the Corporate Governance Committee. The following discussion details the composition and role of each committee.

The Compensation Committee recommends cash and non-cash compensation for Chaparral's executives to the full Board and reviews and recommends to the full Board stock plans for adoption by Chaparral for its directors, officers, employees, and consultants. The Compensation Committee is also responsible for developing Chaparral's executive compensation program. The Compensation Committee monitors and grants awards according to Chaparral's executive compensation program and administers Chaparral's 2001 Stock Incentive Plan and 1998 Incentive and Non-statutory Stock Option Plan. During fiscal year 2003, members of the Compensation Committee included Messrs. Alshinbayev, Connor, and Klinchev. On May 19, 2004, Mr. Alshinbayev and Mr. Klinchev resigned. Mr. Hodder and Mr. Greene replaced the departing directors on the Compensation Committee, effective May 19, 2004. Mr. Connor was replaced on the compensation committee by Mr. Gill effective May 19, 2004.

The Audit Committee oversees Chaparral's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. The Audit Committee operates pursuant to a written charter (see Appendix A). Chaparral's independent accountants, Ernst & Young, are responsible for expressing an opinion on the conformity of Chaparral's audited financial statements to accounting principles generally accepted in the United States. During fiscal year 2003, members of the Audit Committee included Messrs. Duthie

and Dilling and Berlin. Messrs. Duthie and Dilling qualified as "independent directors" as defined by NASD Rule 4200(a)(15). Mr. Berlin does not qualify as an "independent director" as defined by NASD Rule 4200(a)(15), due to payments made to Mr. Berlin for services provided as Chaparral's legal counsel. The Board intends to replace Mr. Berlin as a member of the Audit Committee as soon as a suitable replacement can be found. Mr. Duthie resigned effective May 19, 2004 and the Board is currently searching for a replacement for Mr. Duthie.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

On December 10, 2002, the Board established the Corporate Governance Committee to provide oversight on the broad range of issues surrounding the composition and operation of the Board, including identifying individuals qualified to become board members, recommending to the Board director nominees for the next Annual Meeting, and recommending to the Board and overseeing the implementation of corporate governance guidelines. The Corporate Governance Committee also provides assistance to the Board in the areas of committee membership selection, evaluation of the effectiveness of the Board and management, and ongoing consideration of developments in corporate governance practices. The Corporate Governance Committee operates pursuant to a written charter (see Appendix B). The Corporate Governance Committee's goal is to assure that the composition, practices, and operation of the Board contribute to value creation for and effective representation of Chaparral's shareholders. During fiscal year 2003, the Corporate Governance Committee, consisted of Messrs. Berlin, Alshinbayev, Klinchev, and Duthie. Messrs. Alshinbayev, Klinchev, and Duthie resigned effective May 19, 2004 and were replaced by Messrs. Gill and Dilling.

Communication with the Board

Shareholders may communicate with the Board of Directors, including the non-management directors, by sending an e-mail to ir@chaparralresources.com or by sending a letter to the Chaparral Resources Board of Directors, c/o Corporate Secretary, Chaparral Resources, Inc., 2 Gannett Drive, Suite 418, White Plain New York 10604. The Corporate Secretary has the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit your correspondence to the Chairman of the Board or to any specific director to whom the correspondence is directed.

Audit Committee Financial Expert

The Board of Directors has determined that all audit committee members are financially literate under the current listing standards of the New York Stock Exchange. The Board also determined that Mr. Duthie qualified as an "audit committee financial expert" as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002 during the fiscal year ended December 31, 2003.

Report of the Audit Committee of the Board of Directors

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in Chaparral's 2003 Annual Report with management, including a discussion of the quality, and not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee met with the independent accountants, with and without management present, to discuss the scope and plans for the audit, results of their examinations, their evaluations of Chaparral's internal controls, and the overall quality of Chaparral's financial reporting. The Audit Committee reviewed with the independent accountants the acceptability of Chaparral's accounting

principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, including those described in the Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees." In addition, during fiscal year 2003, the Audit Committee discussed with the independent auditors the auditors' independence from management and Chaparral, and received the written disclosures required by the

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." The Audit Committee held five meetings during fiscal year 2003.

Fees paid to Ernst & Young during fiscal year 2003 amounted to \$273,000 composed of the following:

- o Audit Fees. Fees for the audit and quarterly reports for the fiscal year ended December 31, 2003 totaled \$261,000;
- o Financial Information Systems Design and Implementation. No fees were incurred during the fiscal year ended December 31, 2003 for financial information systems design and implementation; and
- o All Other Fees. All other fees paid to our independent auditors during the fiscal year ended December 31, 2003 totaled \$12,000. All non-audit services were compatible with maintaining Ernst & Young's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2003, for filing with the Securities and Exchange Commission.

Audit Committee of the Board of Directors,
John Duthie, Chairman
Peter G. Dilling
Alan D. Berlin

March 17, 2004

Certain Relationships and Related Transactions

In May 2002, Chaparral received a total equity and debt capital infusion of \$45 million, which was partially utilized to repay a substantial portion of Chaparral's loan agreement with Shell Capital. Chaparral received a total investment of \$12 million from Central Asian Industrial Holdings, N.V. ("CAIH"), including \$8 million in exchange for 22,925,701 shares, or 60%, of Chaparral's outstanding common stock, and \$4 million in exchange for a three year note bearing interest at 12% per annum (the "CAIH Note"). Along with the CAIH Note, CAIH received a warrant to purchase 3,076,923 shares of Chaparral's common stock at \$1.30 per share (the "CAIH Warrant"). Additionally, Kazkommertsbank, an affiliate of CAIH, provided KKM with a credit facility totaling \$33 million, consisting of \$28 million that was used to repay a portion of the Shell Capital Loan and \$5 million that was made available for KKM's working capital requirements. Chaparral paid CAIH \$1.79 million as a related restructuring fee. See Note 11 to our consolidated financial statements for the year ended December 31, 2003 for additional disclosure on loans with affiliates. On May 17, 2004, Nelson acquired from CAIH a majority interest in the Company. Nelson purchased from CAIH 22,925,701 shares, representing 60% of Chaparral's issued and outstanding common stock, a Stock Purchase Warrant exercisable for an additional 3,076,923 shares of common stock of Chaparral, and promissory note of Chaparral payable to CAIH, with a principal amount of US\$4 million for an aggregate purchase price of US\$23.9 million.

12

In 2003, Chaparral approved a one-year agreement with OJSC Kazkommerts Securities ("KKS"), an affiliate of Kazkommertsbank, The agreement is effective as of January 7, 2003 and provides for KKS to assist the Chaparral's senior management with financial advisory and investment banking services. In consideration for the services, KKS received a monthly fee of \$25,000 (the "Advisory Fee").

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Mr. Berlin, Chaparral's Secretary and a Director, is a partner in a law firm, Aitken Irvin Berlin & Vrooman, LLP ("AIBV") which provides outside legal services to Chaparral. Payments to AIBV for such legal services during fiscal year 2003 amounted to \$126,000.

8. EXECUTIVE COMPENSATION

The following table shows the compensation paid by Chaparral for services rendered by Mr. Moore, who was the Vice President - Finance, and Chief Financial Officer of Chaparral, Mr. Klinchev, who was the Chief Executive Officer of Chaparral, Mr. Wood, who replaced Mr. Moore as the Vice President - Finance and Chief Financial Officer of Chaparral, and Mr. Soto, who was the Treasurer and Controller of Chaparral during 2003 and is currently Vice President - Finance and Chief Financial Officer of Chaparral. There were no other executive officers of Chaparral whose annual salary and bonus exceeded \$100,000 during the fiscal year 2003.

Summary Compensation Table.

Name and Principal Position	Year	Annual Compensation			Long-Term Com Awards	
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards (\$)	Securi Underl Options/
Nikolai D. Klinchev Chief Executive Officer (11/02 to 5/04)	2003	\$282,000	\$290,000	--	--	--
	2002	\$164,500 (1)		--	--	--
Jonathan S. Wood VP-Finance and Chief Financial Officer (01/04 to 5/04)	2003	\$235,000 (2)	\$136,000 (2)	--	--	--
Richard J. Moore VP-Finance and Chief Financial Officer (11/02 to 12/03)	2003	\$282,000	\$40,000	--	--	--
	2002	\$164,500 (3)	\$90,000	--	--	--
Miguel C. Soto VP-Finance and Chief Financial Officer and Treasurer (5/04 to present) Controller (11/02 to present)	2003	\$172,000	\$67,000	--	--	--
	2002	\$116,933	\$35,000	--	--	--

1. Represents compensation paid to Mr. Klinchev from June 2002 to December 31, 2002. In addition, \$28,000 was paid by Chaparral for the education for Mr. Klinchev's daughter during 2003.
2. Mr. Wood served as Financial Director of KKM during 2003 for which he received salary of \$235,000 and bonuses in the amount \$136,000.
3. Represents compensation paid to Mr. Moore from June 2002 to December 31, 2002.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Options/SAR Grants.

For the fiscal year ended December 31, 2003, we did not grant any options.

13

Aggregated Option/SAR Exercises and Year-End Option/SAR Value.

As of December 31, 2003, there were no unexercised options/SARs and additionally, no options were exercised in fiscal year 2003.

Insider Participation in Compensation Decisions and Compensation Committee Report on Executive Compensation

The Compensation Committee of the Board determined the compensation of the executive officers named in the Summary Compensation Table on page 13 for the years in question. The Compensation Committee has furnished the following report on executive compensation in connection with the Annual Meeting:

Compensation Philosophy.

As members of the Compensation Committee, it is our duty to administer the executive compensation program for Chaparral. The Compensation Committee is responsible for establishing appropriate compensation goals for the executive officers of Chaparral, evaluating the performance of such executive officers in meeting such goals and making recommendations to the Board with regard to executive compensation. Chaparral's compensation philosophy is to ensure that executive compensation be directly linked to continuous improvements in corporate performance, achievement of specific operation, financial and strategic objectives, and increases in shareholder value. The Compensation Committee regularly reviews the compensation packages of Chaparral's executive officers, taking into account factors which it considers relevant, such as business conditions within and outside the industry, Chaparral's financial performance, the market composition for executives of similar background and experience, and the performance of the executive officer under consideration. The particular elements of Chaparral's compensation programs for executive officers are described below.

Compensation Structure.

The base compensation for the executive officers of Chaparral named in the Summary Compensation Table is intended to be competitive with that paid in comparable situated industries, taking into account the scope of responsibilities. The goals of the Compensation Committee in establishing Chaparral's executive compensation program are:

- o to compensate the executive officers of Chaparral fairly for their contributions to Chaparral's short, medium and long-term performance; and
- o to allow Chaparral to attract, motivate and retain the management personnel necessary to Chaparral's success by providing an executive compensation program comparable to that offered by companies with which Chaparral competes for management personnel.

The elements of Chaparral's executive compensation program are annual base salaries, annual bonuses and equity incentives. The Compensation Committee bases its decisions on the scope of the executive's responsibilities, a subjective

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

evaluation of the executive's performance and the length of time the executive has been in the position.

14

In June 2001, Chaparral's stockholders approved the 2001 Stock Incentive Plan, which sets aside 2.14 million shares of Chaparral's common stock for issuance to Chaparral's officers, directors, employees, and consultants. Chaparral has not made any grants under the 2001 Stock Incentive Plan as of December 31, 2002.

Compensation of the Chief Executive Officer.

During fiscal year 2003, Mr. Klinchev served as Chief Executive Officer of Chaparral. In establishing Mr. Klinchev's base salary, the Compensation Committee considered the factors set forth above, including the level of CEO compensation in other publicly owned/similar sized exploration and production companies in the oil and gas industry and Mr. Klinchev's level of involvement in the day-to-day operations of Chaparral.

Executive Compensation Deductibility.

Chaparral intends that amounts paid under Chaparral's compensation plans generally will be deductible compensation expenses. The Compensation Committee does not currently anticipate that the amount of compensation paid to executive officers will exceed the amounts specified as deductible according to Section 162(m) of the Internal Revenue Code of 1986.

Compensation Committee Interlocks and Insider Participation.

No executive officer or director of Chaparral serves as an executive officer, director, or member of a compensation committee of any other entity, for which an executive officer, director, or member of such entity is a member of the Board or the Compensation Committee of the Board. There are no other interlocks.

Compensation Committee of the Board of Directors,
Ian Connor, Chairman
Askar Alshinbayev
Nikolai D. Klinchev

15

9. STOCK PERFORMANCE GRAPH

Comparison of Five Year Cumulative Total Return

The following line graph compares the total returns (assuming reinvestment of dividends) of our Common Stock, the Nasdaq Market Index and the SIC Code Index for the five year period ending December 31, 2003.

[GRAPHIC OMITTED]

CHAPARRAL RESOURCES, INC.
AUDIT COMMITTEE CHARTER
(Approved as of March 27, 2003)

I. PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditors. The audit committee will also prepare the report that SEC rules require be included in the Company's annual proxy statement.

II. AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

1. Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the audit committee.
2. Resolve any disagreements between management and the auditor regarding financial reporting.
3. Pre-approve all auditing and permitted non-audit services performed by the Company's external audit firm.
4. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
5. Seek any information it requires from employees - all of whom are directed to cooperate with the committee's requests - or external parties.
6. Meet with company officers, external auditors, or outside counsel, as necessary.
7. The committee may delegate authority to subcommittees, including the authority to preapprove all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.

III. COMPOSITION

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

The audit committee will consist of at least three and no more than six members of the board of directors. The board nominating committee will appoint committee members and the committee chair.

Each committee member will be financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation. No committee member shall simultaneously serve on the audit committees of more than two other public companies.

IV. MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors. It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

A-1

V. RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statements

1. Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
 - o Complex or unusual transactions and highly judgmental areas.
 - o Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
 - o The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
2. Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
3. Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
4. Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
5. Review disclosures made by CEO and CFO during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

or other employees who have a significant role in the Company's internal controls.

6. Discuss earnings press releases (particularly use of "proforma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made). The audit committee does not need to discuss each release in advance.

Internal Control

1. Consider the effectiveness of the Company's internal control system, including information technology security and control.

A-2

2. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

1. Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
2. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
3. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
4. On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

1. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
2. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.

In performing this review, the committee will:

- o At least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
- o Take into account the opinions of management and internal audit.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

- o Review and evaluate the lead partner of the independent auditor.
 - o Present its conclusions with respect to the external auditor to the Board.
3. Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.
 4. Present its conclusions with respect to the independent auditor to the full board.
 5. Set clear hiring policies for employees or former employees of the independent auditors.
 6. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

A-3

Compliance

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Establish procedures for: (i) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and (ii) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.
3. Review the findings of any examinations by regulatory agencies, and any auditor observations.
4. Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
5. Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

1. Regularly report to the board of directors about committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, and the performance of the internal audit function.
2. Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
3. Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
4. Review any other reports the Company issues that relate to committee responsibilities.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Other Responsibilities

1. Discuss with management the Company's major policies with respect to risk assessment and risk management.
2. Perform other activities related to this charter as requested by the board of directors.
3. Institute and oversee special investigations as needed.
4. Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
5. Confirm annually that all responsibilities outlined in this charter have been carried out.
6. Evaluate the committee's and individual members' performance at least annually.

A-4

Appendix B

CHAPARRAL RESOURCES, INC.
CORPORATE GOVERNANCE COMMITTEE CHARTER
(Approved as of August 11, 2003)

I. Purpose

The Corporate Governance Committee (the "Committee") is responsible for providing oversight on the broad range of issues surrounding the composition and operation of the Board of Directors (the "Board"), including identifying individuals qualified to become board members, recommending to the Board director nominees for the next annual meeting of shareholders, and recommending to the Board and overseeing the implementation of corporate governance guidelines. The Committee also provides assistance to the Board in the areas of committee membership selection, evaluation of the effectiveness of the Board and management, and ongoing consideration of developments in corporate governance practices. The committee's goal is to assure that the composition, practices, and operation of the Board contribute to value creation for and effective representation of the Company's shareholders.

II. Composition

The Committee shall consist of at least three directors, appointed by the Board at its annual meeting or at interim meetings when necessary to fill a vacancy or add a member in the Board's judgment. At least two Committee members shall, in the opinion of the Board, meet the independence and experience requirements of the American Stock Exchange (the "AMEX"), the Sarbanes-Oxley Act of 2002 ("SOX"), the rules of the Securities and Exchange Commission (the "SEC") and other applicable laws, rules and regulations as in effect from time to time. The Board shall appoint one or more members of the Committee as chair(s). He or she shall be responsible for leadership of the Committee assignments and reporting to the Board. The Committee may delegate such matters to subcommittees, as it deems appropriate. A Committee member (including the chair) may be removed at any time, with or without cause, by the Board. The Board may designate one or more directors as alternate members of the Committee, who may replace any absent or disqualified member or members at any meetings of the

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

Committee.

III. Meeting Requirements

The Committee shall meet at least once each year or more frequently as it determines appropriate. The Committee shall meet at the call of its chair, preferably in conjunction with regular Board meetings or at the request of any Committee member. Any notice of meeting shall contain a proposed agenda of the matters to be considered by the Committee. The Committee may meet by telephone conference call or by any other means permitted by law or the Company's bylaws. A majority of members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may act without a meeting by unanimous written consent of all members. The Committee shall determine its own rules and procedures, including designation of a chair pro tempore, in absence of chair(s), and designation of a secretary. The secretary need not be a member of the Committee and shall attend Committee meetings and take and prepare the minutes thereof. The Committee shall keep written minutes of its meetings, which shall be recorded or filed with the books and records of the Company. Any member of the Board shall be provided with copies of such Committee minutes if requested.

The Committee, as it may determine to be appropriate, may meet in separate executive sessions or in confidence with other directors, the Chief Executive Officer of the Company and other employees of the Company, agents or representatives invited by the Committee.

B-1

The Committee may ask members of the Company's management or others whose advice and counsel are relevant to the issues then being considered by the Committee to attend any meetings and to provide such pertinent information as the Committee may request.

IV. Committee Responsibilities

In carrying out its oversight responsibilities, the Committee's policies and procedures should remain flexible to enable the Committee to react to changes in circumstances and conditions so as to ensure the Company remains in compliance with applicable legal and regulatory requirements. The Committee shall have the following responsibilities in addition to matters that may be referred to it by the Board or which the Committee raises on its own initiative.

Board Candidates and Nominees

(a) Develop criteria for the selection of directors and oversee the process of screening and interviewing candidates for Board positions, including those recommended by shareholders and management; and

(b) Subject to the terms of any shareholders (or similar) agreement to which the Company and/or its shareholders may be party to from time to time affecting the composition of the Board, propose to the Board nominees for election by the shareholders at the annual meeting of shareholders and prospective director candidates in the event of the resignation, death, removal or retirement of directors or a change in Board composition requirements.

Board and Committees

(a) Establish and review policies pertaining to size, composition and procedures of the Board and the roles and responsibilities of directors;

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

(b) Determine and monitor whether or not each director and prospective director is an "independent director" within the meaning of the AMEX listing standards, SOX and any other laws, rules or regulations in effect from time to time and applicable to the Company and whether the Board and all committees meet the criteria for independent composition imposed by the AMEX listing standards or any other applicable laws, rules or regulations in effect from time to time;

(c) Review and consider possible conflicts of interest that may arise between the Company and any director or officer; and

(e) Review periodically the Board's committee structure and functioning and recommend to the Board the establishment of committees and directors to serve as members of each committee.

Management Evaluation and Development

(a) Consider the recommendations of the Chief Executive Officer for the appointment of executive officers;

(b) Review, and develop where appropriate, the Company's management succession plans to help assure proper management planning; and

(c) (i) Establish a procedure for evaluating the Chief Executive Officer's performance, (ii) annually evaluate such performance, and (iii) have the Committee chair review, after completion of the annual evaluation, with the Chief Executive Officer the results of the Committee's evaluation and to coordinate with the Compensation Committee of the Board regarding that evaluation for purposes of establishing the annual compensation of the Chief Executive Officer.

B-2

Corporate Governance

(a) Develop and recommend to the Board corporate governance guidelines, review the guidelines periodically (not less than annually, on a timetable to established by the Committee), and recommend changes as necessary in light of the Board's experience evolving corporate practices and regulatory requirements; and

(b) Develop and recommend to the Board codes of conduct, business ethics and business practices, to reflect best practices and the requirements of AMEX listing standards, SOX and any other laws, rules or regulations in effect from time to time and applicable to the Company's experience, changes to the AMEX listing standards or any other applicable laws, rules or regulations in effect from time to time and evolving corporate practices.

Reporting and Evaluation

(a) Report the Committee's actions and recommendations to the Board after each Committee meeting; and

(b) Evaluate its performance at least annually on a timetable to be established by the Committee and review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

V. Investigations and Studies

The Committee may conduct or authorize investigations into or studies of matters within the scope of the Committee's responsibilities as described above, and may retain, at the expense of the Company, independent counsel or other

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

consultants necessary to assist the Committee in any such investigations or studies. In this regard, the Committee has the authority to direct the Chief Executive Officer to provide such information regarding the Company's affairs and such assistance of the Company's staff and access to the Company's resources (including funding) as the Committee shall determine necessary to the accomplishment of its assigned responsibilities. The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates, including the sole authority to negotiate and approve the fees and retention terms of such search firm.

VI. Miscellaneous

Nothing contained in this Charter is intended to expand applicable standards liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. Nothing in this Charter is intended to preclude or impair the protection provided in Section 141(e) or any other section of the General Corporation Laws of the State of Delaware for good faith reliance by members of the Committee on reports or other information provided by others. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

B-3

CHAPARRAL
CHAPARRAL RESOURCES, INC.

PROXY CARD

PROXY SOLICITED BY THE BOARD OF DIRECTORS

FOR ANNUAL MEETING OF STOCKHOLDERS, AUGUST 2, 2004

The undersigned hereby appoints Marina Townsley and Nick Imboden, either of them, jointly and severally, with power of substitution, to represent and to vote as designated all shares of Common Stock which the undersigned would be entitled to vote at the Annual Meeting of Stockholders of Chaparral Resources, Inc., to be held August 2, 2004 at 9:00 a.m., Greenwich Mean Time, at the Inter-Continental London, One Hamilton Place, Hyde Park Corner, London W1J 7QY, or any adjournment thereof.

1. Election of directors.

- a. R. Frederick Hodder
- b. Nicholas P. Greene
- c. Peter Dilling
- d. Alan D. Berlin
- e. Simon K. Gill

FOR AGAINST ABSTAIN

INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH OR OTHERWISE STRIKE THE NOMINEE'S NAME.

2. Ratification of the selection of Ernst & Young as Chaparral Resources, Inc.'s independent auditors for the fiscal year ending December 31, 2004.

FOR AGAINST ABSTAIN

If you plan to attend the Annual Meeting, please check here.

Edgar Filing: CHAPARRAL RESOURCES INC - Form DEF 14A

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED STOCKHOLDER. UNLESS OTHERWISE SPECIFIED, THE SHARES WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES TO CHAPARRAL RESOURCES' BOARD OF DIRECTORS, FOR THE APPROVAL OF THE AMENDMENTS TO CHAPARRAL'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, FOR THE APPROVAL OF CHAPARRAL'S 2002 PROFIT SHARING BONUS PROGRAM, AND FOR THE RATIFICATION OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS.

The undersigned acknowledges receipt of the Notice of Annual Meeting of Stockholders and the accompanying Proxy Statement.

Please sign exactly as name appears hereon and date. If the shares are jointly held, each holder should sign. When signing as an attorney, executor, administrator, trustee, or as an officer signing for a corporation, please give full title under signature.

_____ Date: _____

_____ Date: _____

Signatures of Stockholder(s)

(PLEASE DATE, SIGN AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE)