NELSON RESOURCES LIMITED

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Nelson Resources Limited (the "Company")
Chancery Hall
52 Reid Street
Hamilton HM12
Bermuda

Item 2. Date of Material Change

May 17, 2004

Item 3. News Release

A press release disclosing the nature and substance of the material change was issued through the facilities of Canada NewsWire on May 17, 2004 and was filed on SEDAR (see copy attached).

Item 4. Summary of Material Change

The Company acquired from Central Asian Industrial Holdings N.V. ("CAIH") a majority interest in Chaparral Resources, Inc., a corporation organized under the laws of the State of Delaware ("Chaparral"), thereby giving the Company a 36% participating interest in the Karakuduk oil field in western Kazakhstan.

Item 5. Full Description of Material Changes

The Company, through its wholly owned subsidiary NRL Acquisition Corp., has purchased from CAIH 22,925,701 shares of Chaparral (the "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 (the "Warrant"), and a promissory note of Chaparral payable to CAIH (the "CAIH Note"), with a principal amount of US$4 million. In consideration for the Shares, the Warrant and the CAIH Note, the Company has issued a promissory note (the "Nelson Note") in the principal amount of US$23.9 million payable to CAIH. The Nelson Note has a term of one year and bears interest at 10.5% per annum, payable at maturity.

Chapparal's sole asset is its 60% controlling interest in the joint stock company Karakudukmunay ("KKM"). The other partner in KKM is Kazmunaigas (40%). KKM is the operator of the Karakuduk Field, a producing onshore oil field located in the Mangistau Region of western Kazakhstan. The acquisition of the shareholding gives the Company a net 36% participating interest in the field. As at December 31, 2003, the Karakuduk Field had total estimated proven reserves of approximately 25.62 million barrels.

Item 6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

No information has been omitted on the basis that it is confidential information.

Item 8. Executive Officer

Frederick Hodder
Chief Financial Officer
Telephone: +44 20 7 495 8908

Item 9. Date of Report

Dated this 20th day of May, 2004.

NELSON RESOURCES LIMITED

Per: *"Frederick Hodder"*________
Frederick Hodder
Chief Financial Officer

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News release via Canada NewsWire, Toronto 416-863-9350

Attention Business Editors:
Nelson Resources announces acquisition of controlling interest in Chaparral Resources

TORONTO, May 17 /CNW/ - Nelson Resources Limited (TSX: NLG) ("Nelson"), a leading independent exploration and production company operating in Kazakhstan, today announces that it has acquired from Central Asian Industrial Holdings N.V. ("CAIH") a majority interest in Chaparral Resources, Inc. (OTCBB: CHAR.OB), a corporation organized under the laws of the State of Delaware ("Chaparral").

Nelson has purchased from CAIH 22,925,701 shares of Chaparral (the "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 (the "Warrant"), and a promissory note of Chaparral payable to CAIH (the "CAIH Note"), with a principal amount of US$4 million.

Chaparral's sole asset is its 60% controlling interest in the joint stock company Karakudukmunay ("KKM"). The other partner in KKM is Kazmunaigas (40%). KKM is the operator of the Karakuduk Field, a producing onshore oil field located in the Mangistau Region of western Kazakhstan. The acquisition of the shareholding gives Nelson Resources a net 36% participating interest in the field. As at December 31, 2003, the Karakuduk Field had total estimated proven reserves of approximately 25.62 million barrels.

Nick Zana, Chairman and Chief Executive Officer of Nelson, stated: "This strategic investment is an important addition to Nelson's growing portfolio of interests in producing oil and gas assets in Kazakhstan. The Karakuduk field, in which Chaparral has a 60% interest, offers significant development opportunity and the existing infrastructure provides a sound foundation for realizing the growth potential of this excellent field. As the controlling shareholder of Chaparral, Nelson intends to contribute meaningfully to the management of Chapparal and development of the Karakuduk oil field to the benefit of all shareholders through implementation of programs to increase production, reduce transportation and operating costs, increase export volumes, and improve revenues realized from exports."

Strategic Rationale:

- Earnings positive - the transaction is expected to positively impact Nelson's 2004 earnings
- Increased reserves - this investment will materially augment Nelson's current interests in net proved and probable reserves of 183 million barrels
- Reserve base potential for increased production - the level of proved and probable reserves at Karakuduk of 63 million barrels affords significant opportunity for growth in production, which averaged 7,380 bopd in 2003.
- Improve performance - Nelson will encourage the adoption of programs to improve the profitability per barrel of oil produced through cost savings, principally in the areas of transportation and field operating costs, increasing oil export volumes, and achieving more favourable export prices.
- Strengthen relationship with strategic partners - Nelson will endeavour to improve results at Chaparral by encouraging policies and practices which will contribute to good relationships with its strategic partner in the Karakuduk field, the state-owned oil company Kazmunaigas, and other government agencies.

The Karakuduk field is a 16,900-acre oil field located approximately 365 km north east of Aktau in the Mangistau Region of western Kazakhstan and approximately 160 km south of the Tengiz field. The government of the former Soviet Union discovered the Field in 1972 and drilled 18 exploration and appraisal wells, none of which were produced commercially. In 1995, KKM was awarded a 25-year licence, and approval to proceed with development. KKM began to develop the Karakuduk Field in early 2000, and by 2003 had re-established oil production from a majority of the existing wells and from newly drilled wells. As at February 24, 2004, KKM had 47 productive wells in the field, including 34 new wells and 13 re-completions of previously existing delineation wells.

The Karakuduk field has direct access to export markets. The field is approximately 29 km west of the main utility corridor, including the Makat-Mangishlak railroad and the Uzen-Atrau-Samara oil and gas pipelines. KKM has a right to use the existing oil export pipeline and related utilities. It also has a contract with CJSC Kaztransoil, a 100% subsidiary of Kazmunaigas, granting the right to use the export pipeline for transportation of crude oil to local and export markets. KKM has a 29 km crude oil pipeline from the field capable of transporting up to 18,000 barrels of oil per day to the export pipeline terminal.

If you prefer to receive press releases by email, please contact
Shelley Merritt (shelley(at)chfir.com)

Notes:

Nelson Resources Limited is an oil and gas exploration and development holding company operating through joint ventures in the Republic of Kazakhstan. The Company owns 50% of Kazakhoil Aktobe LLP (KOA), a 50/50 joint venture between Nelson and KazMunaiGas, the national oil company of Kazakhstan, which is developing the Alikbekmola and Kozhasai oil and gas fields. As at February 2004, the Company also owns a 50% participatory interest in the North Buzachi oil field located in western Kazakhstan (50% Nelson 50% CNPC). Nelson also holds an option to acquire a 25% participatory interest in the Caspian Sea offshore blocks, Zhambai South and South Zaburunye, which provide highly prospective exploration potential near the Volga River Delta.

Nelson is listed on the Toronto Stock Exchange under the symbol NLG.

Major Terms and Conditions

Under the terms of the definitive Share Purchase Agreement and the other transaction documents, Nelson's wholly owned subsidiary, NRL Acquisition Corp. ("NRLAC"), has purchased from CAIH 22,925,701 shares of common stock of Chaparral, the Warrant in respect of an additional 3,076,923 shares of common stock of Chaparral, and the CAIH Note for an aggregate purchase price of US$23.9 million. In consideration for the Shares, the Warrant and the CAIH Note, Nelson has issued a promissory note (the "Nelson Note") in the principal amount of US$23.9 million payable to CAIH. The Nelson Note has a term of one year and bears interest at 10.5% per annum, payable at maturity.

As CAIH currently owns 23.2% of Nelson's common shares and representatives of CAIH currently sit on the Boards of Directors of both Nelson and Chaparral, Nelson appointed a Special Committee of two of its independent directors with extensive oil field assessment and corporate finance experience for the purpose of evaluating and making recommendations to the Board of Directors of Nelson in respect of the transaction. After reviewing the due diligence reports from management and a consultant, the Special Committee recommended that the Board of Directors of Nelson approve the transaction. CAIH's representatives on the Board of Directors of Nelson did not participate in the approval process with respect to the transaction. Following consideration of the Special Committee's recommendation, the Board of Directors of Nelson approved the transaction.

Nelson now owns 60% of the issued and outstanding shares of Chaparral (55.53% on a fully diluted basis). The shares of common stock issuable under the Warrant would, assuming no other issuances of shares of common stock of Chaparral, upon the full exercise of the Warrant, constitute approximately 7.45% of the issued and outstanding shares of Chaparral on a fully diluted basis. This would give Nelson ownership of 62.98% of the issued and outstanding shares of Chaparral on a fully diluted basis.

The number of members of Board of Directors of Chaparral will not change as a result of the transaction. Following the completion of the transaction two of the six directors of Chaparral, Mr. Nikolai Klinchev and Mr. John Duthie, resigned from the Board of Directors of Chaparral. Mr. Klinchev also resigned as Chief Executive Officer of Chaparral. Messrs. Klinchev and Duthie have been replaced on the Board by Mr. Frederick Hodder, Chief Financial Officer of Nelson, who has also been appointed Chairman of Chaparral, and Mr. Simon Gill, who has also been appointed Chief Executive Officer of Chaparral. In addition, following the completion of the transaction, Mr. Jonathan Wood resigned as VP Finance and Chief Financial Officer of Chaparral, and was replaced by Mr. Miguel Soto, Chaparral's current Treasurer and Financial Controller. Going forward, Mr. Soto will serve as Chaparral's VP Finance, Chief Financial Officer, Treasurer and Financial Controller. Other than the replacement of the Chief Executive Officer and the VP Finance and Chief Financial Officer, the current executive officers of Chaparral will continue in their capacities pending a review of operations by the newly constituted Board of Directors.

The transaction will be accounted for as a purchase of Chaparral by Nelson under purchase accounting rules and Nelson will continue to use the full cost method of accounting for its interests in oil and gas properties.

Based on a transaction value of approximately US$23.9 million, the transaction implies a proved reserve purchase price of US$2.60 per barrel.

The following table provides a summary of each of Nelson and Chaparral's respective interests in net reserves as of December 31, 2003 on a constant price basis:

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	Net Reserves (Mbbls)(1)				
	Nelson(2)				Chaparral(3)
	KOA	N. Buzachi	Corporate	Total	KKM
Proved	67,824	53,428	-	121,252	15,370
Probable	38,335	24,181	-	62,516	22,453
Total	106,159	77,609	-	183,768	37,822

1 As Nelson and Chaparral report their reserves estimates under different regulatory regimes, Nelson is assessing the effect of Chaparral's reserves data on Nelson's reserves data and will disclose such assessment in due course.
2 Reserve estimates for KOA and North Buzachi prepared by McDaniel & Associates according to policies set out by the Canadian National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities
3 Reserve estimates for KKM prepared by Ryder Scott Company according to policies set out by the US Securities & Exchange Commission

The following table provides a summary of key statistics relating to oil and gas activities of each of Nelson and Chaparral for the quarterly period ended March 31, 2004:

	Unit Production				
	Nelson				Chaparral
	KOA	N. Buzachi	Corporate	Total	Total
bbls	725,683	309,388	-	1,035,071	720,000
bopd	8,063	3,438		11,501	8,000

	Unit Sales				
	Nelson				Chaparral
	KOA	Buzachi	Corporate	Total	Total
bbls	656,383	319,709	-	976,092	721,000
bopd	7,293	3,552		10,845	8,011

	Revenues & Expenses				
	Nelson(3)				Chaparral(4)
	KOA	Buzachi	Corporate	Total	Total
Revenues(1)	$ 19,287	$ 7,111	$ -	$ 26,398	$ 15,609
$/bbl	$ 29.38	$ 22.24	-	$ 27.04	$ 21.65

Costs					
Production(1)	$ 1,999	$ 1,472	$ -	$ 3,471	$ 2,210
$/bbl	$ 2.75	$ 4.76	-	$ 3.35	$ 3.07
Selling and Transportation(1)	$ 4,283	$ 934	$ -	$ 5,217	$ 3,153
$/bbl	$ 6.53	$ 2.92	-	$ 5.34	$ 4.37
General & Administrative(1)	$ 919	$ 371	$ 1,926	$ 3,216	$ 1,649
$/bbl	$ 1.27	$ 1.20	$ 1.86	$ 3.11	$ 2.29
Total Operating Costs(1,2)	$ 7,201	$ 2,777	$ -	$ 11,904	$ 7,012
$/bbl	$ 10.97	$ 8.69	-	$ 12.20	$ 9.73

1 US$ thousands
2 Total Operating Costs are the sum of Production, Selling & Transportation and G&A Expenses
3 $/bbl for Production Costs and G&A based on Unit Production, $/bbl for Transportation and Total Operating Costs based on Unit Sales
4 $/bbl based on Unit Sales

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/For further information: Enquiries: Nick Zana, CEO, Nelson Resources Limited, Tel: +44 (0)207 495 8908, nzana(at)nelsonresources.co.uk; Fred Hodder, CFO, Nelson Resources Limited, Tel: +44 (0)207 495 8908, fhodder(at)nelsonresources.co.uk; Investor Relations: Olav Svela, Cavalcanti Hume Funfer Inc. (CHF Inc.), Tel: (1 416) 868 1079, Fax: (1 416) 868 6198, olav(at)chfir.com; Cathy Hume, CHF Inc., Tel: (1 403) 541 1225, cathy(at)chfir.com/
(NLG.)

CO: Nelson Resources Limited

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