



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 10 JANUARY 2008

OPERATIONS UPDATE

- **Strong cash flow from North San Ardo**
- **Paris Valley work program underway**
- **McCool Ranch testing operations update**
- **North Yowlumne 2-26 production testing commenced**

North San Ardo Production (SAE 100%)

Production at NSA continues to perform according to expectations. Actual sales for the month of December were 17,806 barrels which will generate revenue of around US\$1.5M. Sales revenues for the month of January are forecast to be significantly higher than December following a full month of production at the higher rates. Oil production from the field is highly profitable with net margins of over US\$55/bbl after allowing for the heavy crude quality discount, all royalty payments and field operating costs.

Paris Valley (SAE – earning 50%)

The Paris Valley field work has commenced with permitting and seismic planning underway. The field is located six miles from the successful North San Ardo project and contains estimated oil in place of over 100MMbbls. Salinas is targeting recoverable reserves of 25MMbbls. The program will firstly involve carrying out 2D seismic followed by drilling two vertical and two horizontal wells.

McCool Ranch – (SAE 100%)

Testing operations at McCool Ranch have been underway over the last 10 days. Initial indications are that the well has successfully intersected the Lombardi oil reservoir but has also encountered a water bearing zone. The well is currently producing 600 barrels of fluid per day, however due to the preferential flow of water compared to heavy oil production rates are currently limited to around 30 bopd. A remedial program is being planned to attempt to isolate the water bearing zones in the well in order to get a higher flow rate from the oil bearing section of the reservoir.

North Yowlumne 2-26 (SAE 25%)

Salinas has been advised by the Operator that testing operations at North Yowlumne have commenced. A completion rig is on location and a pump and tubing are being run into the hole with pumping operations expected to commence later this week.

Enquiries: *Managing Director: John Begg*
Telephone: *08 9380 2111*
Website: www.salinasenergy.com