



## OPERATIONS UPDATE

- **North San Ardo generating substantial cash flows**
- **Paris Valley work program commencing in January**
- **McCool Ranch testing about to commence**
- **North Yowlumne 2-26 waiting on rig for production testing**

### North San Ardo Production (SAE 100%)

Production at NSA continues to perform according to expectations. Sales for the month of December are forecast to exceed 18,000 barrels which is expected to generate revenue of around US\$1.5M. Sales revenues for the month of January are forecast to be around US\$2M following a full month of production at the higher rates.

### Paris Valley (SAE – earning 50%)

The Paris Valley field work will commence in January 2008 with a work program designed to prove commercial oil reserves. 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 hampered by minor mechanical problems and weather conditions. A workover of the Capps 1-22H horizontal well will occur within the next few days and the pump will be re-set after which testing operations will commence.

### North Yowlumne 2-26 (SAE 25%)

Salinas expects that the operator will commence testing operations at North Yowlumne between Christmas Day and New Year. The testing operation will determine if sandstones and natural fractures identified in the well bore and which exhibited strong hydrocarbon shows during drilling are capable of producing at commercial rates.

Commenting on the high levels of activity Salinas Managing Director John Begg said;

*“Operationally the Company has achieved all of its goals this year and we are very pleased with the platform we have built. With oil prices at record highs, NSA is highly profitable and McCool could prove a valuable add on in the short term. Paris Valley has the potential to be our largest asset and more than triple our reserves base within the next six months. North Yowlumne has yet to prove itself, but we remain hopeful of a positive outcome. Following conversion of the remaining outstanding options, we will have net cash of some \$10M which together with the cash flow from North San Ardo puts us in an enviable position to start the New Year.”*

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