



OPERATIONS UPDATE

- **North San Ardo (NSA)**
 - **Second horizontal well on production; third horizontal well being tied into facilities and expected on line during this week**
 - **Total field production currently 650 bopd**
- **McCool horizontal well to be production tested immediately following release of completion rig from NSA**
- **North Yowlumne 2-26 at a total depth of 13,055 feet and preparing for production test**
- **Reese prospect in Louisiana to commence drilling this week**

Salinas Energy (SAE) is pleased to provide an update on operational activities as follows:

NSA (SAE 100%)

Oil production at NSA has been increased to 650 BOPD following tie in of the second horizontal production well (Lombardi 5-27H) to the permanent production facility. The third horizontal well (Lombardi 9-27H) is expected to come on line this week further increasing oil production.

During October NSA oil revenue was US\$475,000 (paid in arrears) from oil sales equivalent to 216 bopd.

McCool (SAE 100%)

The Capps 1-22H horizontal well is waiting on production testing, which will be undertaken as soon as the completion rig currently working on the Lombardi 9-27H is available.

North Yowlumne 2-26 (SAE 25%)

The North Yowlumne 2-26 well has reached total depth of 13,055 feet and wireline logs have been run. Gas and oil shows have been observed over the primary target interval which has been identified at a depth and thickness close to Salinas' pre-drill predictions. The target interval contains thin interbedded sands and indications of fracturing. The highest gas shows were associated with the fractured intervals.

The joint venture is preparing to production test the well to determine the commercial significance of the hydrocarbon shows.

Reese (SAE earning 25%)

The Guichard-6 rig is expected on site during the week to drill the Grainger-1 well on the Reese gas and oil prospect in Louisiana. Further information about the drilling of this prospect will be released once the well has commenced drilling.

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