



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 28 OCTOBER 2009

SALINAS COMPLETES ACQUISITION OF NEON ENERGY AND EXPANDS PORTFOLIO TO INCLUDE HIGHLY PROSPECTIVE VIETNAM OIL AND GAS ACREAGE

Salinas Energy Limited ("Salinas") announces that the acquisition of Neon Energy Pty Ltd ("Neon") has today been completed following approval of the transaction at yesterday's meeting of Salinas' shareholders. All conditions have now been met and the acquisition is complete.

Neon, utilising its large unique geoscience database has built a portfolio of highly prospective oil and gas interests in Southeast Asia. Neon has a 100% working interest in a Production Sharing Contract (Block 120) offshore Vietnam in a highly competitive exploration trend and is currently in negotiations concerning other exploration interests in the region.

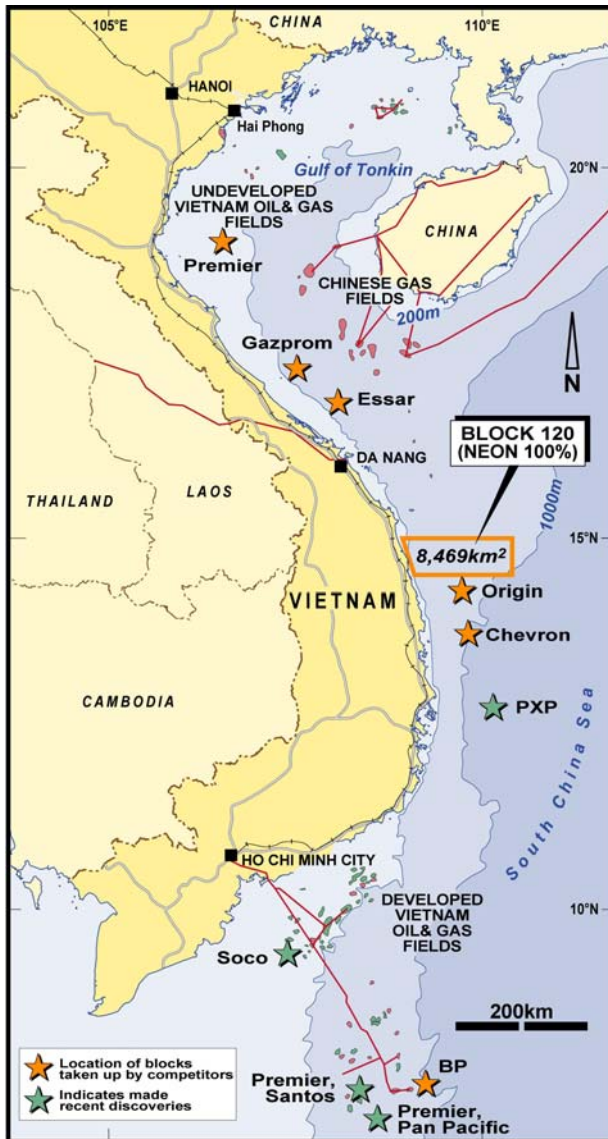
The transaction has resulted in:

- Salinas diversifying outside of California and balancing its existing profitable production with growth opportunities in Southeast Asia which offer significant exploration upside.
- Salinas becoming an Operator in Vietnam with a 100% working interest in a Production Sharing Contract containing an existing oil discovery and a diverse range of prospects with the potential to host very large reserves of oil and gas.
- Strengthening of the Company's corporate presence and management team through the appointment of Dr Alan Stein, Mr John Lander and Mr Ken Charsinsky to the Salinas Board.
- Salinas gaining access to a unique and extensive database covering many of the oil and gas provinces of Australasia and Southeast Asia that will support further growth in the region.
- A return in the near term to drilling and production enhancements associated with low risk oil projects in California including the large Paris Valley oil field redevelopment project.

Vietnam Block 120

Block 120 covers an area of 8,469 square kilometres in water depths of 50m to 1,100m. Over the most prospective parts of the basin sediment thickness is up to 6,500m and water depths range from 50m to 500m. The block overlies a north-south trend of Tertiary-aged sedimentary basins, but primarily overlies the Quang Ngai Graben which is north of the Phu Khanh Basin.

The area was previously explored by BHP Petroleum Limited who acquired an extensive 2D seismic survey in 1991 and drilled one well in 1993. The well targeted a Miocene reef complex and encountered a minimum 6m oil column, demonstrating the presence of an active petroleum system. The well was not fully tested or evaluated, and further data acquisition over this Prospect (Orbea) will be required to determine the full extent of the oil accumulation and its potential for commercial development. Miocene reef reservoirs are prolific producers in many locations in Southeast Asia.



In addition to the regionally successful Miocene reef plays, a variety of other play types have been identified. Some 16 Leads and Prospects are currently mapped in Block 120 with unrisks recoverable resource potential of more than two billion barrels of oil.

There have been a number of recent oil and gas discoveries offshore Vietnam partially attributable to increased activity levels as a result of the attractive fiscal environment provided by the Vietnamese government which promotes international investment.

The basins offshore central Vietnam, where Block 120 is located, have only been very lightly explored however there has been an upsurge in interest as evidenced by nearby well known multinational companies such as Gazprom, Santos, Premier, Chevron, Essar and Origin Energy. It has recently been reported that BHP and Exxon Mobil are acquiring new acreage positions in Vietnam.

Salinas plans to continue the farmout efforts for Block 120 which has already been commenced by Neon. With the introduction of partners, the Company will be able to balance the financial exposure to the work program with the risk/reward of the highly prospective acreage.

Key metrics for the three prospects mapped so far, two of which have the potential to host giant scale resources of oil and gas are detailed in the table below.

Prospect Name	Water Depth (m)	Target depth (m)	Closure (km ²)	Unrisks Prospective Resource (million bbls recoverable)
Orbea	260	1140	33	50
Merida	400	1150	108	624
Masi	250	650	250	685

Regional Database

Neon owns the rights to an extensive collection of oil and gas information (the "Database") covering most of the oil and gas basins of Australasia and Southeast Asia. The Database includes over 4,000 reports, maps and well files plus 22,000km² of 3D seismic and 2 million line km of 2D seismic. Neon has built its own digital archive to enable efficient access to the information contained in the Database. The Database is unique and could not be replicated without considerable expenditure and investment of time and effort.

New Ventures

Neon has an active portfolio of new venture opportunities and is in an advanced stage of discussion for a second exploration block in the Southeast Asia region. Salinas will be actively pursuing new opportunities in the region leveraging off the Database that it has acquired through Neon.

California

Salinas' existing Californian operations continue to be a focus area for the Company, with short term drilling plans ready to be enacted. The following projects have either commenced or will be undertaken over the coming months including (but not limited to):

- a cyclic steam trial which has recently commenced on one of the North San Ardo wells;
- at least one further development/production well at North San Ardo; and
- the first Paris Valley appraisal well.

Management Changes

Effective immediately, Mr Ken Charsinsky has been appointed as Managing Director of Salinas. Mr Charsinsky has over 30 years experience in the international and domestic US oil industry with major operating oil companies, most recently as Exploration Director of International New Ventures for Noble Energy Inc. He has also served as Managing Director of operating subsidiary companies for CMS Oil and Gas in Congo and Tunisia.

Mr John Begg has resigned from the Board and consequently stepped down as Managing Director. The Board expresses its appreciation to Mr Begg for building Salinas into an oil production company over the past three years.

Commenting on the completion of the merger, Mr. Charsinsky said:

"I'm very excited about taking on the role of Managing Director and working with the new team during this period of Salinas' renewed commitment to growth. We look forward to progressing several projects in the US designed to have immediate material impact as well as expanding our acreage position in Southeast Asia. Before year end, we intend to drill at least one additional development well in the North San Ardo field, conclude a test of cyclic steam injection on one of our producing wells, enhance our interest in Paris Valley and further augment our portfolio in Southeast Asia"

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