



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 18 JANUARY 2007

FIRST OIL SALES FROM NORTH SAN ARDO

Salinas Energy has commenced oil sales from its North San Ardo Oil Project following the signing of an Oil Sales and Marketing Agreement. The oil is being transported by road tanker to a local oil refinery.

Since production commenced the well has produced consistently at over 100 bopd which is an excellent result for a vertical well producing a heavy crude, stimulated only by hot water injection. Production from the well is currently being achieved with the use of temporary facilities and is currently constrained by onsite storage capacity of 3,000 barrels, which has required the periodic shut in of the well.

The Lombardi 1-27 appraisal well is the first of a series of oil appraisal and development wells that Salinas will be drilling on the North San Ardo oil field, with drilling expected to re-commence following the arrival of a contracted drilling rig.

The Company is currently fabricating "fit for purpose" facilities, including a steam generator, to bring the field into permanent production immediately following the completion of the initial drilling program.

Commenting on the well performance, Salinas Managing Director John Begg said:

"We are very pleased that the Company has joined the ranks of oil producers in such a short time and we are looking forward to a successful drilling program at North San Ardo to demonstrate our operating capability and significantly increase our production levels."



Lombardi 1-27 Production well

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