



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 15 FEBRUARY 2007

Drilling program commences at North San Ardo

Salinas Energy is pleased to advise that the appraisal and development drilling program for the Company's 100% held North San Ardo oil project has recommenced and the Ensign # 508 rig is being rigged up at site with drilling to commence in the next few days. The field is located in the Salinas Basin, onshore California and is currently producing via temporary facilities at 80 bopd from one vertical producer.

The program will consist of three to four wells including two further appraisal wells to define the extent of the oil field and at least one horizontal production well. Depending on results the vertical wells may subsequently be completed as production wells.

In parallel with the drilling program the Company is fabricating and awarding contracts for permanent production facilities, much of which will be installed and in operation by June.

The facilities include a steam injection unit and other equipment necessary to optimize flow potential from the heavy crude present in the Lombardi Sand oil reservoir.

Salinas expects to substantially increase oil production and book proved and probable reserves across the field as a result of completion of this first stage of development.

The first well in the program, the Lombardi 3-27 vertical well, should be completed within two weeks. It is an appraisal well designed to verify whether a northern extension of the oil field is present.

Enquiries:

Managing Director:

Telephone:

Website:

John Begg

08 9380 2111

www.salinasenergy.com