



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 26 FEBRUARY 2007

Second Successful Oil Appraisal Well at North San Ardo

Salinas Energy is pleased to advise that the Lombardi 3-27 appraisal well has been drilled to a total depth of 2,306 feet and has encountered an oil column in the main reservoir, proving a northward extension of the North San Ardo oil field.

The Lombardi 3-27 is the second vertical appraisal well drilled by Salinas Energy on the field and will now be temporarily suspended pending an oil production test. The first well, the Lombardi 1-27 was drilled in August last year and when put on production produced at initial rates of over 110 bopd and is now producing at around 80 bopd via temporary facilities.

The Ensign 508 rig will be moved within days to the Lombardi 2-27 vertical appraisal well location also sited to define the limits of the northern extension of the oil field. This next well is expected to take approximately 10 days, immediately after which the Company will commence drilling the first horizontal oil production well in the field.

All the wells are located on Salinas Energy's 100% held Lombardi lease in the Salinas Basin onshore California.

Enquiries:

Managing Director:

Telephone:

Website:

John Begg

08 9380 2111

www.salinasenergy.com