



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 20 SEPTEMBER 2007

North San Ardo Production Well drilling program commences

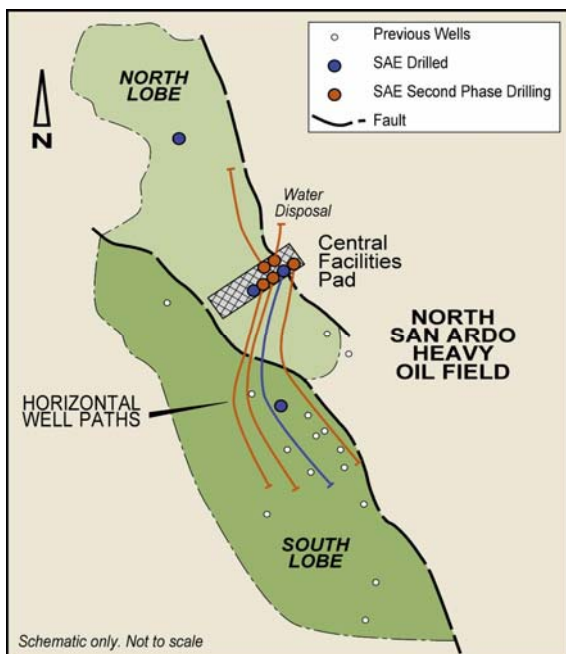
Salinas secures additional funding

Salinas Energy is pleased to announce that the Company will commence its production well drilling campaign on its 100% owned North San Ardo Oil Project (NSA) at the end of this week. Salinas will drill up to 4 horizontal production wells on the NSA field following the drilling of a water disposal well.

Production at NSA of around 250 bopd through temporary facilities is being shut in while the existing production wells are connected to the permanent tanks which are expected to be operational within two weeks. Production is forecast to recommence at approximately 500 bopd increasing to 1,000 bopd before the end of the year when the additional production wells are expected to be completed.

At completion of the NSA well program, the rig will be moved to the McCool Ranch project (which Salinas Energy also operates with a 100% interest) to drill the first development well at this recently acquired field which has the potential for a recoverable resource of up to 1 million barrels of oil. Success at McCool Ranch will add to the 5.5 million barrels of proved plus probable reserves that Salinas Energy has already booked at NSA.

Salinas Energy has secured additional funding through the placement of 7 million shares raising \$3.15 million to institutional clients of Cunningham Securities. In addition, the Company will today sign a short term debt facility with BOS International for US\$5 million. The placement and the debt facility will provide the Company with additional working capital through the development phase of both NSA and the McCool Ranch projects together with being able to accelerate activities at the Company's large Paris Valley project which Salinas Energy operates and is earning a 50% interest.



Speaking from California, Salinas Managing Director, John Begg said:

"We are very pleased with the progress being made at NSA and are looking forward to a successful drilling campaign and the associated increases in production and cash flows. The additional funding will allow us to continue at pace with the development of NSA, McCool and Paris Valley whilst also allowing us to get on with growing the business in a prudent financial manner. It is anticipated that the new investors introduced through this placement will provide additional depth to our shareholder base and quality of our register."

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