



Salinas  
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 10 OCTOBER 2007

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## **Salinas making good progress with North San Ardo horizontal well program**

Salinas Energy (SAE) is pleased to advise that a second horizontal production well (the Lombardi 5-27H) has been drilled into the Lombardi sandstone oil reservoir of the Company's 100% owned North San Ardo, heavy oil field (NSA).

An 800' horizontal section was drilled in the oil reservoir and a slotted production liner run. The well has been suspended without the need for testing pending clean up and direct tie in to the permanent production facilities. This will occur at the end of the current production well drilling program, using a separate completion rig.

The Ensign 508 drilling rig has been moved to a new slot on the NSA facilities pad and has commenced drilling a third horizontal production well, the Lombardi 9-27H.

Following this well SAE plans to move the rig to the adjacent McCool oil field, also 100% SAE, to drill a horizontal well which it is hoped will confirm the commercial potential of that project. SAE estimates that McCool has potential for a recoverable resource of up to 1.0 million barrels of oil.

At completion of the McCool well (designated Capps 1-22H\*) the rig is scheduled to return to NSA to drill up to a further two horizontal producers.

The drilling component of the well program should be complete by early December. Tie in for production of the new NSA horizontal wells is planned for early November through mid December.

If the Capps 1-22H is successful at McCool then production testing of that well is likely to continue into the first quarter of next year.

Oil production at NSA is currently constrained by temporary facilities to approximately 300 bopd. These rates will escalate once the new wells and permanent facilities become progressively operational over the next two months.

\*Salinas uses a well naming convention relating to the local land owners.

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