

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 24 OCTOBER 2007

SALINAS SECURES UPSIDE TO McCOOL RANCH OIL FIELD AND COMMENCES DRILLING HORIZONTAL WELL

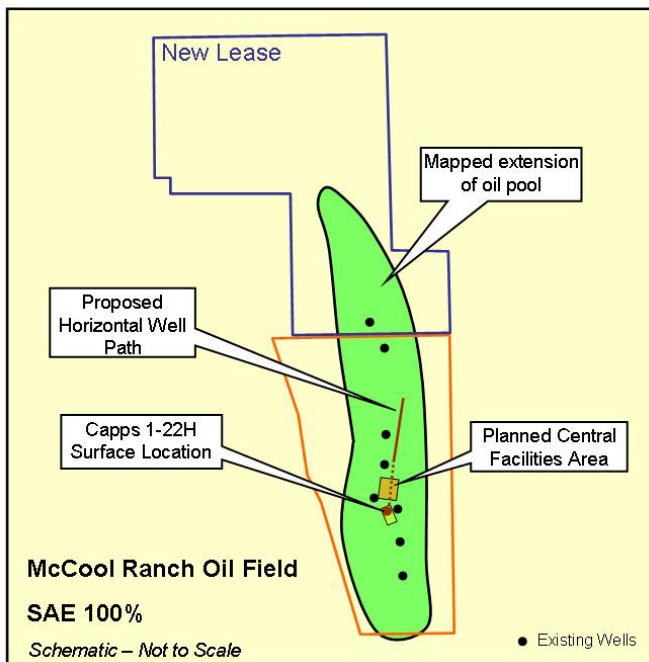
Salinas Energy is pleased to announce that it has secured leases with a 100% working interest covering a mapped extension of the McCool Ranch oil field and has commenced drilling a horizontal test well on the project. The new leases are subject to land holder over-riding royalties standard to the oil business in California.

Stimulated by an in-house mapping project, the Company has been negotiating the extra leases for some time and estimates that the in place oil resource in McCool now controlled by the Company has increased from 4.7 million barrels to approximately 6.0 million barrels. If the horizontal drilling program is successful then the recoverable oil potential may be up to 2 million barrels net to Salinas.

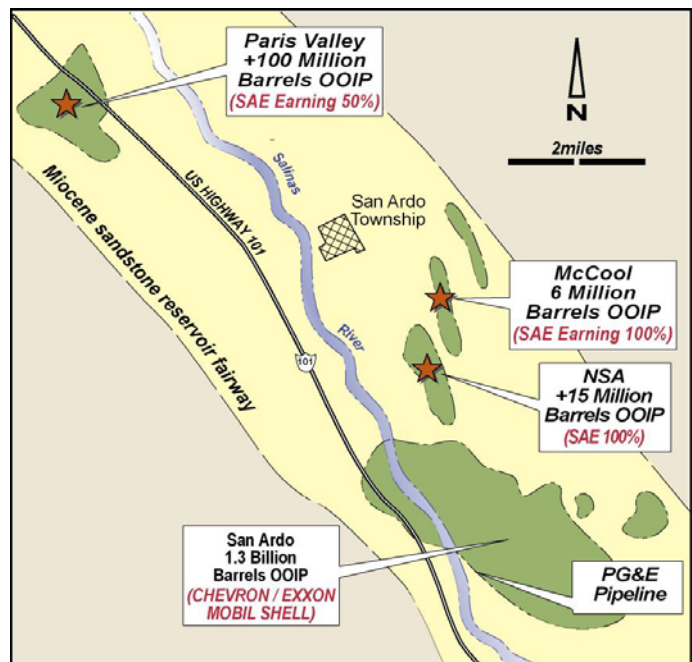
The Ensign 508 drilling rig has been moved to site from Salinas' nearby North San Ardo heavy oil development (NSA) and has commenced drilling the horizontal well. The Capps 1-22H is being drilled in a northward direction on the field, parallel to a series of vertical oil production wells drilled many years ago and which produced similar crude oil to NSA. The oil reservoir at McCool is the Lombardi Sandstone unit which is also productive at NSA and the giant San Ardo oil field.

The Capps 1-22H well is expected to take a further week to drill. The well will be completed with a workover rig and this will be followed by an extended production test.

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Schematic map of the McCool Ranch field



Schematic map of the San Ardo area oil fields