



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 4 JULY 2007

SALINAS ACQUIRES A 50% INTEREST AND RIGHTS TO REDEVELOP THE LARGE PARIS VALLEY OIL FIELD IN THE SAN ARDO AREA

Salinas Energy is pleased to announce that it has entered into an agreement to acquire a 50% interest and Operatorship of the Paris Valley oil field in the onshore Salinas Basin. This field is estimated to have over 100 million barrels of oil in place and is located just 6 miles from the Company's North San Ardo oil project (NSA).

The Paris Valley oil field was discovered in 1948 and is the second largest of a trend of heavy oil fields discovered in the Salinas Basin after the giant San Ardo oil field located immediately adjacent to NSA and from which almost 500 million barrels have so far been produced. Oil in place estimates for Paris Valley of over 100 million barrels have been published by the California Division of Oil, Gas and Geothermal Resources (the DOGGR).

The Paris Valley field was shut in more than 20 years ago when oil prices were much lower than today. This is similar to NSA which Salinas is successfully redeveloping using modern techniques, in particular horizontal drilling guided by 3D seismic. This has led to the Company booking 5.5 million barrels of proved and probable (2P) recoverable reserves at NSA, derived from oil in place of approximately 15.0 million barrels. The Company is building permanent facilities for NSA capable of 2,000 bopd throughput and has recommenced production testing of its first horizontal oil well at over 560 bopd.

The Paris Valley field is currently leased to Nations Petroleum, a Calgary based private company with interests in the US, Azerbaijan and Indonesia. Nations has rapidly expanded its oil and gas investments in California over the past 12 months. Currently its main operation is the development of an extension of the giant Lost Hills oil field in the San Joaquin Basin which is expected to involve the drilling of hundreds of new wells. The Paris Valley transaction recognises Salinas' growing expertise in the San Ardo area and will facilitate a redevelopment of the asset using modern techniques.

Following a planning period Salinas will earn its interest by carrying out an initial work program consisting of 2 vertical wells, 2 horizontal wells and a 3D seismic survey. The transaction is subject to formal documentation of a joint venture operating agreement to be based on standard industry terms. This is required prior to drilling which is expected to commence in approximately six months. Salinas intends funding the acquisition work program using existing working capital and cash flow from NSA.

Commenting on the Company's latest acquisition, Salinas Managing Director John Begg said:

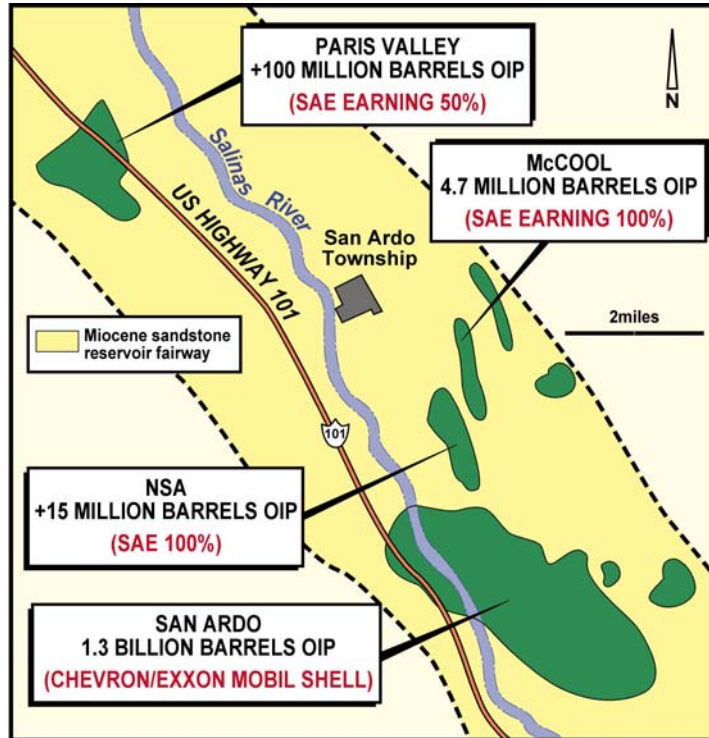
"We are looking forward to applying the techniques that have worked so well at NSA to this much larger project. The acquisition of Paris Valley provides Salinas Energy with the opportunity to increase our booked reserves many times over and has the potential to greatly accelerate the growth and oil production capacity of the Company. We are also very pleased to be working with Nations Petroleum for the first time and anticipate this will lead to other areas of mutual investment in the future"

Enquiries: Managing Director: John Begg
Telephone: 08 9380 2111
Website: www.salinasenergy.com

Refer attached schematics



Schematic Map of the San Ardo Area Oil Fields – Salinas Basin



Schematic Map of the Paris Valley Oil Field – Salinas Basin

