Salinas Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 18 JUNE 2007

REESE PROSPECT FARMOUT COMPLETED

DRILLING TO COMMENCE IN JULY / AUGUST

Salinas Energy (ASX:SAE) is pleased to announce that it has farmed out a portion of its interest in the Reese Prospect situated in Allen Parish, Louisiana. Drilling is now expected to commence in late July 2007. Under the terms of the agreement, Salinas will reduce its working interest in the Reese Prospect from 63.75% to 25% and it's paying interest in the farm-in well from 85% to 33%. The transaction structure will result in nil net cost to Salinas for the upcoming well.

The Reese Prospect is targeting stacked sandstone reservoirs of Miocene age at depths of around 5,500 feet with potential resources of between 5 and 20 million barrels. The Prospect is nearby a number of similar sized fields which have produced both oil and gas. Salinas will be the Operator of the well which is budgeted at US$500,000 (dry hole) and drilling is expected to commence in late July.

Under the revised terms of the Acquisition and Exploration Agreement, Transerv Australia Limited (ASX:TSV) will acquire a working interest in the Reese Prospect. As part of the transaction, Transerv will fund 67% of the well cost and refund to Salinas its proportionate share of past costs.

Commenting on the transaction Salinas Managing Director John Begg said:

"Salinas is principally focused on its North San Ardo oil field development and it has always been our intention to bring another party into the Reese Prospect. We are pleased to have Transerv join us in this project which will now allow the parties to commit to a well being drilled within the next few months. This project is not in one of Salinas' core areas, but provides the Company with exposure to another oil prone and highly productive area in the US".

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