



**ESPERANZA
ENERGY**

Media Release

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ESPERANZA ENERGY ANNOUNCES PLANS FOR LONG BEACH OFFSHORE LNG RECEIVING TERMINAL

LONG BEACH, Calif. – Esperanza Energy, LLC (“Esperanza”), a subsidiary of Tidelands Oil & Gas Corporation (OTCBB: TIDE), today announced plans to file applications with state and federal agencies to build a floating liquefied natural gas (LNG) receiving facility 15 miles off the Port of Long Beach, California. The project, named Port Esperanza, will bring much needed natural gas to the Southern California marketplace. Esperanza plans to formally file its application in late 2007.

“When we announced our interest in building an LNG facility in April 2006, we indicated that we would pursue a project only if it could be sited, designed and operated in the safest, most environmentally responsible and economically viable manner possible,” stated Jim Smith, president and CEO of Tidelands Oil & Gas Corporation.

“Based on a comprehensive study by our team of LNG, environmental, pipeline and legal experts, we concluded that this project is viable, will exceed California’s environmental, public health and safety standards, and will provide more benefits and features than any other proposed LNG project in California,” Smith added.

"Access to regasification services at Port Esperanza will be open to electric and gas utilities, independent power generators, gas marketers and LNG suppliers," commented Terry Mitchell, Esperanza Energy’s vice president and LNG marketing specialist. “This access would be available to those involved with other California LNG proposals whether or not their LNG import projects go forward.”

Port Esperanza’s offshore receiving terminal would allow world-class carriers to transport LNG from overseas, dock and offload at its deepwater facility. The LNG would then be converted into natural gas at the vessel location and sent to shore via undersea pipeline connecting with the onshore natural gas pipeline grid for use by California consumers.

One of the project’s unique environmental features is its use of warm water discharged from an onshore thermal host which eliminates ocean water intake or the creation of air emissions at the facility to warm the LNG back into natural gas (“regasification”). This warm water would be cooled during the regasification process to near ambient water temperature before being discharged offshore at the facility.

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Esperanza Energy is in technical discussions with coastal thermal plants regarding the beneficial reuse of their discharge water, which not only allows the offshore facility to operate with zero air emissions, but also redirects onshore warm water discharge points away from sensitive coastal ecosystems to more environmentally acceptable deep-water areas, thus providing a net environmental benefit. This approach allows Port Esperanza to be energy efficient in its regasification process, reducing its greenhouse gas emissions footprint compared to typical regasification processes at other proposed California LNG facilities. The offshore facility further reduces its emissions by using electricity purchased from onshore sources for its primary power requirements and utilizes onboard batteries for backup power.

The project will install its water supply and natural gas export pipeline, along with communication and electrical lines from the onshore power plant, in a horizontally drilled tunnel buried 100-feet under the beach and coastal environments, avoiding populated areas. This tunnel would also greatly minimize any impact to the shallow water marine environment.

“Energy project development can be accomplished in a manner consistent with California’s high environmental quality and public safety project requirements. The project development team succeeded because it placed top priority on environmental and energy efficiency goals in the site selection and facility design process,” stated David Maul, president of Maul Energy Advisors, and a former manager of the state’s natural gas program and the environmental protection office at the California Energy Commission. “The team also listened to guidance from regulatory agencies as they interpreted the applicable environmental quality and safety laws and standards. These values and the early consultation process have set a new standard in ensuring California’s energy needs are met in the most environmentally acceptable manner possible. We now look forward to receiving input from other stakeholders that could make this an even better project for California.”

Environmental and Safety Considerations

Every aspect of Port Esperanza has been carefully designed to minimize the project’s environmental footprint and avoid the adverse environmental impacts associated with other proposed California LNG import terminals. By eliminating ocean water use and offshore power generation and using heated water from an onshore electrical generating station, the project will not burn fossil fuels to warm the LNG, as is currently proposed by other California LNG projects.

Port Esperanza would not have any significant air quality or marine impact. No petroleum fuels will be stored on site that might create a risk of a spill into the ocean. Whenever possible, emissions from LNG supply vessels docking at the terminal would be minimized through the use of natural gas in those marine engines. The project would also include three small dedicated support vessels fueled with natural gas.

The LNG industry has demonstrated an excellent safety record during the last four decades of operation and Port Esperanza’s offshore location will further enhance public safety in the delivery of new natural gas supplies to consumers. In addition, the project’s unique processing technology eliminates the need for large marine storage structures or above ground storage tanks offshore or on land.

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Environmentally Preferred LNG Import Technology

Esperanza Energy's demanding environmental criteria for any offshore LNG technology necessitates that the receiving facility:

- Has the capability of operating with zero air emissions (i.e., running on electricity derived from onshore, having battery backup power systems and not involving any onsite internal combustion engines)
- Does not require the onsite ingestion of seawater
- Has the smallest possible "footprint" or physical profile to minimize aesthetic impact from shore
- Does not require the onsite (or onshore) storage of LNG or other petroleum products
- Does not incorporate any unproven or non-industry standard components in the LNG transfer and regasification infrastructure
- Has the highest possible degree of operational reliability and safety

Esperanza Energy currently is working closely with TORP Technology Inc., a Houston-based company, and its Norwegian-based parent company, TORP Technology AS, to evaluate adaptation of the company's proprietary liquefied gas-transfer and processing technology, called the HiLoad, to meet Esperanza's strict environmental requirements.

The HiLoad facility securely attaches to an LNG tanker and directly vaporizes the LNG as it is offloaded. It then injects natural gas into undersea pipelines that eventually supply the gas markets. TORP's patented HiLoad LNG Regas technology would enable a safe and cost-efficient unloading and regasification offshore terminal operation.

About Esperanza Energy LLC

Esperanza Energy LLC is a wholly owned subsidiary of Tidelands Oil & Gas Corporation and was formed in March 2006 to develop a liquefied natural gas (LNG) receiving terminal and ancillary facilities in the offshore waters of Southern California. Esperanza Energy's initiative is to help satisfy California's growing energy needs while remaining committed to best practices from a public safety, community benefit and environmental perspective. For more information about Port Esperanza, please visit www.esperanza-energy.com.

About Tidelands Oil & Gas Corporation

Tidelands Oil & Gas Corporation, San Antonio, Texas, focuses on development of mid-stream oil and gas projects including natural gas pipeline infrastructure, retail natural gas liquids sales, and natural gas receiving and storage facilities. Through its subsidiaries, Tidelands offers a full suite of services and has the capability to satisfy a wide variety of customer needs, both domestically and internationally. For more information about the Company, please contact Jim Smith at info@tidelandsoilandgas.com.

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