

The Company Announcements Officer
Australian Stock Exchange Limited Exchange Centre
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By Electronic Lodgement

**COMET RIDGE SECURES ANOTHER HISTORIC OIL FIELD
REDEVELOPMENT OPPORTUNITY IN COLORADO**

HIGHLIGHTS

- **Comet Ridge USA acquires 78% working interest and operatorship in 4,678 acres over part of the historic Florence oil field in Fremont County, Colorado**
 - **Deal closed 1 October, 2006 (US time)**
 - **Total transaction value of \$650,000**
 - **Seismic operations to commence as soon as a crew is available – potentially within a month**
 - **Deal to be offered to Rocky Mountain Joint Venture partners Strike Oil Limited (ASX code: STX) and AJ Lucas Group Limited (ASX code: AJL)**
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Introduction

The Board of Directors of Comet Ridge Limited (ASX Code: COI) is pleased to advise that its wholly owned subsidiary Comet Ridge USA Inc. (Comet Ridge or the Company), expects to close on an 4,678 acre leasehold acquisition over part of the historic Florence oilfield in Fremont County, southern Colorado (Figure 1) on 28 September 2006. The Company will acquire a 78% working interest (62.4% Net Revenue Interest after deducting royalties) and operatorship of the project.

History

The Florence oil field was the second oil field discovered in the United States of America. The discovery well was drilled in 1862. The field is located approximately 87 miles (140 km) south of Denver and 25 miles (40 km) west of Pueblo. Since its discovery, the field has produced approximately 15 million barrels of oil from fractured intervals within the Cretaceous Pierre Shale. Of particular interest is that the field is developed on the eastern flank of a geological low or syncline – not on a structure as is often the case with oil and gas fields.

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All of the production achieved to date has been from vertical wells drilled largely without the benefit of seismic data. There have been very few directionally drilled wells attempted in the field.

The underlying Niobrara Formation has proven productive but is very lightly explored. Comet's intention is to apply 3D seismic to identify fractured areas within both the Pierre Shale and the Niobrara and then use directional or horizontal drilling to maximize the number of fractures encountered in the well bore.

The potential of deeper reservoirs in the section remains largely untested.

Background

Comet Ridge has also assembled a strong acreage position over another historic oil field, the Tow Creek and Bear River project in northern Colorado where it is about to commence a multi-well drilling program (Figure 1). The company has developed an insight into the production and reservoir characteristics of fractured shale oil reservoirs such as those at Tow Creek/Bear River and is seeking to capitalise on that knowledge.

The Florence project offers Comet Ridge operational flexibility during the winter months and another area in which to apply its developing understanding of the play.

Transaction Structure

Financial details of the transaction are confidential but the total consideration for the deal is approximately \$650,000. This amount covers:

- an up-front cash payment;
- 100% of the costs of acquiring 4 sq miles of 3D seismic; and
- 100% of the costs of drilling one directional well to ~ 4,000 feet (1,200 metres).

In the event of a successful initial well, Comet Ridge will receive 100% of the revenues (after normal royalty deductions) until it has recovered 135% of the intangible drilling costs (rig rate, mud, bits, logging etc) and 100% of tangible drilling costs, completing and equipping the well as well as 100% of the operating costs. After Comet Ridge recovers the above costs, the sellers will "back-in" for a 22% working interest in the well and Comet Ridge's share of the revenues and operating costs will reduce to 78%.

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Comet Ridge and the sellers will enter an Area of Mutual Interest that will protect both parties. All costs beyond the program outlined above will be borne by Comet Ridge and the sellers on a 78:22 percent basis.

Work Program and Timing

Comet Ridge, via a consultant geophysicist, has already initiated calls for bids on the seismic program. Indications are that acquisition could commence as early as mid-October.

Drilling of the initial well will occur as soon as possible but under the terms of the acquisition agreement commencement of drilling operations is required by 1 August 2007.

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Size of the Prize

As mentioned above the Florence Field has produced 15 MMBO since its discovery. As is typical of many fractured reservoir fields there is a modest number of excellent producers with per well recoveries ranging from 100,000 barrels to in excess of 550,000 barrels of oil and a lot of lower recovery wells and dry holes where few or no fractures were penetrated.

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The advent of 3D seismic and directional drilling provides Comet Ridge the opportunity of redeveloping these old fields. Evidence that such opportunities exist is supported by a recently drilled vertical well on an adjacent lease to that which Comet Ridge is acquiring. The well (located using 3D seismic) is consistently producing 100 barrels of oil per day from the Pierre Shale after producing 50,000 barrels already. It is anticipated that the well will produce in excess of 200,000 barrels from depths of less than 3,000 feet (~900 metres). Comet Ridge is targeting recoverable oil reserve potential of between one and two million barrels with substantial exploration opportunity existing in the Niobrara and deeper targets.

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Oil produced from the Florence Field typically sells at a \$2.45 per barrel discount to the West Texas Intermediate (WTI) posting. As of 26 September 2006, the WTI posting for delivery in November '06 closed at \$61.01 per barrel.

Offer to Rocky Mountain Joint Venture Participants

Comet Ridge is the operator of the Rocky Mountain Joint Venture. This Joint Venture comprises of Comet Ridge and two Australian partners, Strike Oil Limited (ASX Code: STX) and A.J. Lucas Group Limited (ASX Code: AJL). Comet Ridge will offer both partners the opportunity to participate in this deal on the same terms and conditions as Comet Ridge with each partner eligible to take up to 33.33% of the available interest (i.e. 33.33% of the 78% working interest). In the event that a partner declines to participate, Comet Ridge and the other partner will have the option to take up its pro-rata share of the remaining interest.

Yours sincerely

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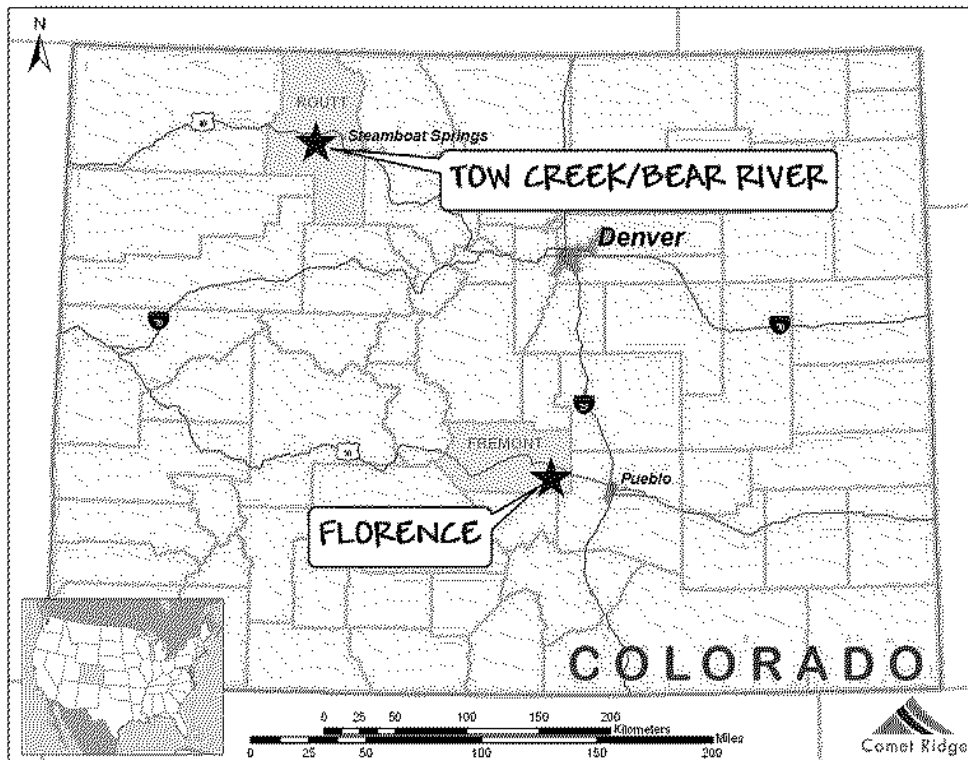


FIGURE 1. LOCATION OF FLORENCE AND TOW CREEK/BEAR RIVER PROJECTS