

**COMET RIDGE LIMITED
ASX ANNOUNCEMENT
16 MAY 2006**

The Company Announcements Officer
Australian Stock Exchange Limited Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

COMET RIDGE ACQUIRES PRODUCING PROPERTY ON TOW CREEK

The directors of Comet Ridge Limited (ASX Code: COI) are pleased to advise that the company's wholly owned subsidiary, Comet Ridge USA, Inc., has signed a Purchase and Sale Agreement to acquire a producing well bore that holds a 640 acre (2.5 sq km) lease on the Tow Creek prospect in Routt County, Colorado (Figure 1). Total consideration for the producing well and acreage package is \$120,000. The transaction is due to close 1 June 2006.

The well and the lease fall within the 5,047 acre (20 sq km) Coal View Federal Exploration Unit (FEU, shown on Figure 1) for which the company is in the process of gaining regulatory approval. Formation of a FEU combines all the separate leases with different ownership under one operating agreement. This allows for the systematic and orderly development of the field. It will also preserve some of the leases that have shorter term expiry dates.

The producing well, Grassy Creek 1-36, is currently producing around 2 BOPD and has produced almost 70,000 barrels of oil since the early 1970's. The well is located in the northwest corner of the lease and is immediately offset (in adjacent leases) by two wells that have produced almost 900,000 barrels between them. Comet Ridge intends to work the well over to improve current production and will evaluate the potential for additional drilling on the acreage.

Partners in the Tow Creek project, Strike Oil Limited (ASX Code: STX) and Lynn Properties, a private Houston based oil and gas company, have advised that they intend to participate in the acquisition.

Comet Ridge USA Inc is operator of the Tow Creek project with a 37.5% working interest.

The Company anticipates issuing a project update in the coming weeks.

Yours faithfully

ANDREW LYDYARD
Managing Director
Comet Ridge Limited

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Figure 1. Location of Producing Well and Leasehold Acquisition, Tow Creek Prospect, Routt County Colorado

