

**COMET RIDGE LIMITED  
ASX ANNOUNCEMENT  
3 January 2007**

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

By Electronic Lodgement

**OPERATIONS UPDATE  
TOW CREEK & BEAR RIVER PROJECTS,  
ROUTT COUNTY, COLORADO, USA**

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- **Completion rig due on Coal View Unit 31-4 early next week**
  - **Peltier 11-12 drilling to commence mid next week**
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The directors of Comet Ridge Limited (ASX Code COI) are pleased to provide the following operational update for the Tow Creek and Bear River prospects in Routt County, Colorado, USA (refer to location map).

**TOW CREEK (Comet Ridge 37.5% and Operator)**

Cyclone Rig 16 is being disassembled and moved off of the Coal View Unit (CVU) 31-4 well location. It will commence the rig move to the Comet Ridge operated Peltier 11-12 well later this week.

A Diamondback Energy Services workover rig is due on the CVU 31-4 location to conduct the completion operation early next week. This will entail simply running a section of steel pipe that has perforations across the interpreted pay zone and installing a down-hole electric submersible pump. The perforated pipe will not be cemented to minimize the chances of damaging the reservoir interval. No stimulation of the reservoir is planned.

As indicated in a previous ASX announcement (27 December 2006) oil and gas shows were encountered over a 245 foot thick interval in the main objective of the well, namely the Tow Creek Bench of the Niobrara Formation (the term "bench" refers to an interval comprising of slightly harder and more brittle calcareous, meaning calcium carbonate bearing, shales in an overall package of softer, more plastic, non calcareous shales. The calcareous shales tend to form more resistive outcrops or "benches").

Preliminary analysis of wire line logs run in the well (including a specialised log known as a borehole image log) indicates that the interval with the oil and gas shows is moderately to intensely fractured and that the fractures appear to be open. The degree of fracturing and the fact that the fractures appear open is encouraging as they provide the storage mechanism and flow paths for the oil and gas.

The well will be produced slowly initially (a few tens of barrels per day) to mitigate the formation of paraffin in the wellbore. Analysis of a number of wells in the area suggests that producing the wells at high rates early on in their history can be detrimental to long term production as the pressure and temperature drops caused by high rate production can cause the paraffins to form and plug up the fractures.

## **BEAR RIVER (Comet Ridge 33.75% and Operator)**

The Peltier 11-12 is expected to spud mid to late next week depending on weather. A surface conductor has already been set at 60 feet and preparation of the location is complete. Comet Ridge is using pre-existing road access and a previously used coal exploration well location to minimise cost and environmental impact.

This well is planned to test three prospective reservoir intervals in the Niobrara Formation on trend with a well that produced initially at over 500 BOPD and has produced approximately 480,000 barrels of oil (an example where high initial production rates didn't hurt long term production!) This location sits on a mapped large scale north-west trending fracture trend (Figure 2).

The well will be drilled vertically to around 3,800 feet where 9 5/8ths inch casing will be set. As was the case with the Coal View Unit 31-4, this well will be directionally drilled to an angle of around 40 degrees to approximately 5,000 feet where a string of 7 inch casing will be set. The same under balanced drilling fluid (mud) system that was used on the CVU 31-4 will be used on this well. The idea of an under balanced mud system is to minimise the loss of mud into the fractures for two main reasons; mud lost into fractures is expensive from both lost time and lost material perspectives and the mud potentially plugs the fractures up.

Typically when a well is being drilled, the weight of the mud is kept such that the pressure in the well-bore is higher than that of the formation (or reservoir rock). In the case of fractured reservoirs and some low permeability reservoirs, it is preferable to keep the pressure lower in the well bore (hence the term under balanced). The Niobrara Formation is an unusually low pressure reservoir. We believe to successfully exploit the significant volumes of oil known to exist in the formation throughout the Rockies it is imperative that the mud pressures are kept as low as possible. To achieve this air is injected into the mud column higher in the well to lower the effective mud pressure acting on the reservoir rock.

The Peltier 11-12 is targeting up to 500,000 barrels of oil in its own right. It is the second of three "Proof of Concept" wells designed to prove up a much larger opportunity base.

Comet Ridge and partner Strike Oil Limited (ASX Code: STX) are funding the drilling of this well 50:50. Following completion of this well all earning requirements on the Tow Creek and Bear River prospects will have been completed. Comet Ridge will pay its working interest share of all future costs.

Yours sincerely



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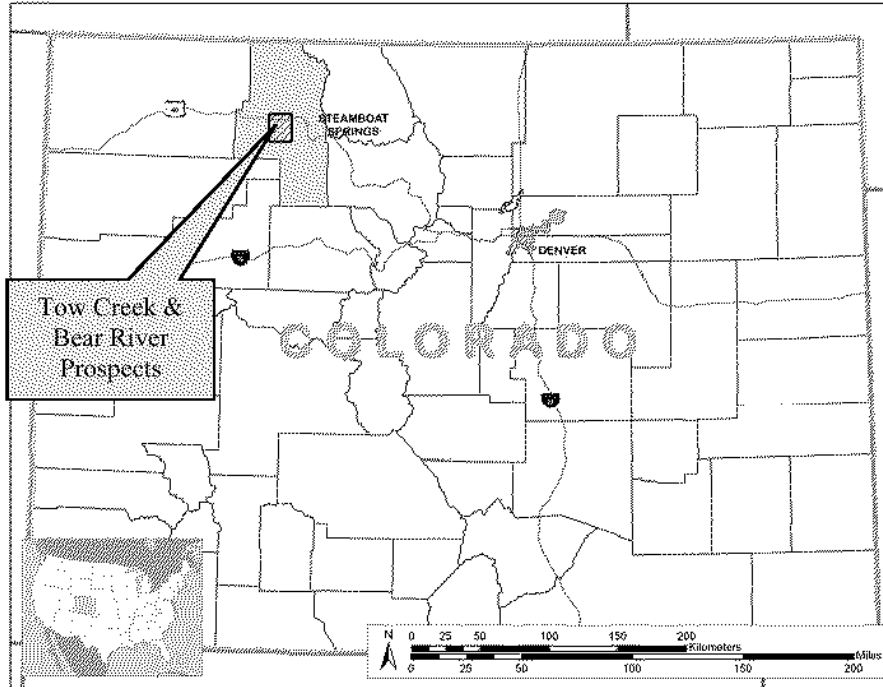


Figure 1 – Location of Tow Creek and Bear River Projects

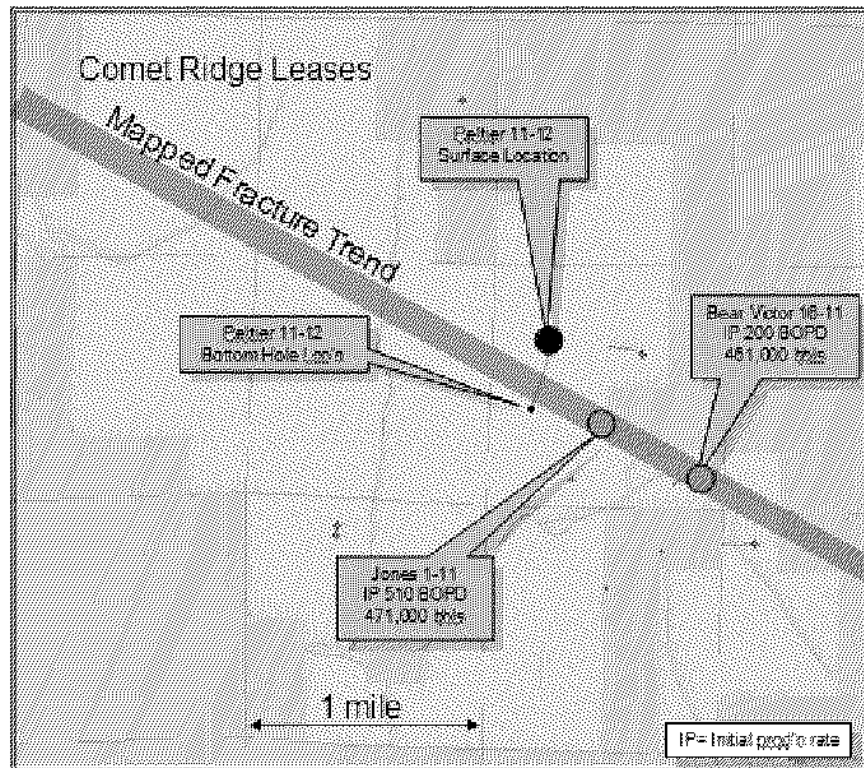


Figure 2 – Location of Peltier 11-12 in relation to mapped fracture trend and offset production