Terrace Energy announces strong flows from Price H1 well

Terrace Energy {TSX.V: TZR} announces the successful completion of the Price 1H well, with strong hydrocarbon flows, and confirms that production operations have already begun.

Production results will be announced once flow rates have stabilised, as per the industry norm.

Terrace also updated with developments on all their other principal projects

TERRACE DRILLS FIRST WELL IN BIG WELLS BUDA PROJECT AND PROVIDES OPERATIONS UPDATE

Vancouver. September 29, 2014 – Terrace Energy Corp {TSXV: TZR} is pleased to announce it has drilled its first well on the Big Wells Buda Project and provides the following operations updates on its other projects.

Big Wells Buda Development Project, Dimmit County, Texas

The Company is pleased to report that drilling operations have been successfully concluded on the initial Buda development well, the Price #1H with strong hydrocarbon flows throughout most of the drilling operation. Preparations are currently underway to complete the well and tie in permanent production facilities.

As planned, a pilot well was drilled to a vertical depth of 7,445’ in order to obtain petro physical data on the Buda formation. Subsequently, the Price #1H was turned horizontal in the Buda Limestone in the most promising intervals of

higher porosity and natural fractures. The horizontal lateral was drilled to a total depth of 9,522’ using underbalanced drilling techniques.

The well had significant hydrocarbon shows during the course of drilling the lateral with some indications of water-bearing fractures in the deeper portion of the lateral. A short duration inflow test was performed with the drilling rig, confirming that the well will produce high fluid rates at commercially reasonable oil–water ratios.

The Company will move directly to production operations for this well. Completion equipment will be mobilized subsequent to the removal of the drilling equipment, which is now underway. The Company will announce production results once stabilized flow rates have been established. In addition to the encouraging hydrocarbon flows encountered during drilling operations, the well results have also served to confirm the predictive geological and geophysical tools employed in planning this initial well. The Company has permits pending on two additional two locations and has identified several confirmation well locations within this 10,000 acre project.

Land and title work are in progress in preparation for the next phase of drilling operations.

Maverick County Project, Maverick and Zavalla Counties, Texas

As previously reported, “top-hole” drilling operations are complete on the Chittim Heirs #3H Buda Limestone development well. The well is awaiting completion using a purpose-built coiled tubing unit and underbalanced equipment. The equipment is under contract and scheduled to mobilise to this well in October when it is released from its current project. This equipment is currently being used by the Company’s partner who is drilling successful Buda horizontal wells in nearby Frio County.

Drilling equipment is also scheduled for operations to begin

on the Chittim Heirs #4 well to be drilled in the southwest portion of the ranch approximately thirteen miles west of the Chittim Heirs 2-H and 3-H Eagle Ford and Buda Limestone wells. Site preparation work is currently underway. The Company, through its 50% owned BlackBrush Terrace LP ("BTLP"), plans to drill a vertical well through several prospective horizons in the Cretaceous section in order to obtain critical petro physical data. The evaluation program will include full-wellbore cores in the Eagle Ford Shale and Buda Limestone, similar to the program executed in the Chittim Heirs #2H well. Pending results of the evaluation program, BTLP plans to turn the well horizontal for production in the most promising interval, presumably the Buda Limestone.

Permitting is underway for three additional delineation wells to be drilled in strategic locations in a widely spaced program across this 147,000 acre ranch.

STS Olmos Development Project, McMullen and LaSalle Counties, Texas

Full scale development operations are underway on our STS Olmos Development Project with the initiation of our multi-well pad drilling operations. The project is progressing rapidly.

Surface pipe has been set on all three wells at approximately 6,000' and the STS 1-6H has been drilled to a total depth of 14,353' including approximately 5,200' of lateral within the objective zone. Mud log data during drilling operations confirms the presence of the Olmos sandstone as anticipated with excellent sand quality and hydrocarbon shows throughout the lateral section. 5 1/2" casing has been set to total depth on the STS 1-6H and drilling operations have commenced on the lateral portion of the STS 2-6H.

Once drilling operations are concluded on the Section 6 pad, the rig will be moved to its next planned three-well pad site

on the project and hydraulic fracturing equipment will be moved in on the Section 6 pad to simultaneously complete these wells in a “zipper frac” sequence.

As previously reported, the current development model for the STS Olmos Development Project envisions the potential for up to approximately 145 drilling locations. The Company will continue drilling multi-well pad locations using this “walking rig” configuration and will likely add a second rig to the project in 2015.

NW AWP Olmos Development Project, McMullen County, Texas

Drilling operations have been concluded on the Quintanilla #1H Olmos development well. The well encountered the Olmos pay sand as planned and drilled approximately 4,300’ of lateral within the objective zone. 5 1/2” casing has been set to total depth. The well will be completed using multi-stage hydraulic fracturing. Service contractors have been committed and completion operations will commence in early October. The Company owns a 33% working interest in this well and the assigned 200 acre drilling unit.

Upon successful completion of the Quintanilla well, the Company will also have earned the option to acquire a 33% working interest in an additional 3,400 (approx.) acres offsetting the well. George Morris, the Company’s Chief Operating Officer commented: “We are pleased with the results we have achieved to date on all of our projects. We have a very high level of activity moving ahead this fall and anticipate continued success over the next several months as these programs are executed.”

About Terrace Energy

Terrace Energy is an oil & gas development stage company that is focused on unconventional oil extraction in onshore areas of the United States.

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