

Terrace Energy reports drill success at St Olmos

Terrace Energy {TSX.V: TZR} reports well results of from their St Olmos project (27%).

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Vancouver, B.C., January 8, 2015 – **Terrace Energy Corp.** {TSX.V: TZR} reported the Initial Production results from its first multi well pad drilling program on its STS Olmos Development Project (27%) in McMullen and La Salle Counties, Texas, USA.

The Company and its partner recently completed three horizontal wells with an average lateral length of approximately 5,500 feet in the Olmos Sandstone Formation. The STS #3-6H and the STS #2-6H, were each completed with 22 stages, and the STS #1-6H was completed with 15 stages, of hydraulic fracture stimulation using a "zipper frac" technique.

The wells were connected to permanent production equipment prior to flow back operations and production was initiated on December 31, 2014 with all production going directly to sales. The wells showed oil within the first few hours of testing and have produced over 12,000 barrels of oil to date.

The wells are currently producing at moderate oil rates on tight chokes in order to allow the fractures to heal carefully, optimize long term flow rates and manage logistical issues resulting from inclement weather and poor road conditions. Current production rates after seven days of testing and only ~3% load recovered are as follows *;

- STS #1-6H 483 BOPD, 543 MCFD (600 BOEPD*)
- STS #2-6H 589 BOPD, 858 MCFD (732 BOEPD*)
- STS #3-6H 643 BOPD, 765 MCFD (770 BOEPD*)

The Company will continue to monitor the flow back operations over the next few weeks and make further determinations on optimum choke sizes going forward as load recovery continues and gas-oil ratios stabilize. The Company intends to follow up this report with 30 day IP rates when appropriate.

Progress also continues, as planned, on the overall development of the project. As previously reported, all three wells on the second multi-well pad, the STE Section 5 pad in LaSalle County have been successfully drilled and cased in the Olmos Formation with lateral lengths averaging 5,400 feet.

These wells are scheduled to be completed using the same zipper frac technique used on the initial Section 6 pad. Completion equipment has been contracted and is expected in the field in late January. Drilling operations are currently underway on the third pad, the STS section 605 pad, in McMullen County. Surface pipe has been set on all three wells situated on this pad to a depth of approximately 5,160 feet. The rig is currently drilling ahead on the STS#3- 605H.

The Company plans to maintain a single rig program for 2015 and continue to drill three-well pads in order to optimize the cycle from first capital to first production. The Company's capital commitments for all activities required on the STS Olmos Development Project are fully funded under its previously announced \$75 million development drilling facility. The Company, through its wholly owned subsidiary Terrace STS, LLC, holds a 27% working interest in the Project.

George Morris, the Company's Sr. Vice President and COO, stated "We are pleased with the early results of these wells and the efficiency of the zipper fracs. Even with conservative choke management, these well results compare very favourably

with the previous 11 wells drilled on the project and are consistent with our model projections. The STS Project is the cornerstone of growth for the Company and we continue to stay focused on keeping this project progressing as planned.”

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.

ON BEHALF OF THE BOARD OF DIRECTORS

“Dave Gibbs”

Dave Gibbs, CEO

N.B.

* BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**The results observed are not necessarily indicative of long-term production performance or the ultimate recovery from these wells

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Forward-Looking Information

This press release includes forward-looking information and forward-looking statements (together, "forward-looking information") within the meaning of applicable Canadian and United States securities laws. Forward-looking information includes, but is not limited to: information regarding plans for the development of the Company's projects and the timing thereof, including the potential number of drilling locations on the STS Olmos Development Project and expectations regarding achieving key successes and milestones over the next several months. Users of forward-looking information are cautioned that actual results may vary materially from the forward-looking information disclosed in this press release. The material risk factors that could cause actual results to differ materially from the forward-looking information contained in this press release include changes to the Company's ability to access infrastructure in the vicinity of its projects at a reasonable price; changing costs for and availability of required goods and services; regulatory

changes; risks relating to disagreements or disputes with joint venture partners, including any failure of a joint venture partner to fund its obligations; volatility in market prices for oil and natural gas; and all of the other risks and uncertainties normally associated with the exploration for and development and production of oil and gas, including geologic uncertainties, unforeseen drilling hazards, geological, technical, drilling and processing problems, accidents and adverse weather conditions. The forward-looking information contained in this press release represents management's best judgment of future events based on information currently available. The material assumptions used to develop the forward-looking information include: that the Company will be able to access infrastructure in the vicinity of its projects on reasonable terms; that the Company will be able to access the goods and services necessary in order to conduct further exploration, development and production at its projects on reasonable terms; that regulatory requirements will not change in any material respect; and that other aspects of the Company's operations will not be affected by unforeseen events. Statements regarding future drilling locations are based on geologic interpretations which are subject to revision as further data is developed. The Company does not assume the obligation to update any forward-looking information, except as required by applicable law.