



## **MEDIA RELEASE**

**For Immediate Circulation**

**July 16, 2009**

**TSX: TT**

### **TERRA ENERGY COMPLETES ACQUISITION OF PEACE RIVER ARCH ASSETS**

Terra Energy Corp. ("Terra Energy" or the "Company") is pleased to announce that it has successfully completed the previously announced acquisition of certain assets for total consideration of approximately \$76.6 million (the "Transaction"). The effective date of the Transaction for the purposes of allocating production and revenues was April 1, 2009.

The acquisition consists of high quality, long-life properties primarily located in the Peace River Arch regions of northeast British Columbia and northwest Alberta, including approximately 2,200 barrels of oil equivalent ("boe") per day of production, 77,600 gross (46,000 net) acres of undeveloped land and several "oil targeted" development prospects (the "Arch Assets"). Fields associated with the Arch Assets include Stoddart, Eagle, Boundary, Bonanza, Cecil and Worsley, among others. This Transaction serves to further consolidate Terra Energy's existing position in its core area of Fort St. John in British Columbia while significantly expanding the Company's footprint into the more oil-prone regions of the Peace River Arch in Alberta.

Further to the news release of the Company dated July 7, 2009, proceeds of \$20.3 million from the issuance of 14,000,000 subscription receipts of the Company (the "Financing"), have been released from escrow in connection with the Transaction. Terra Energy has issued 14,000,000 common shares and 7,000,000 common share purchase warrants in exchange for the subscription receipts. Each whole common share purchase warrant is exercisable into one common share ("Warrant Share") of the Company at a price of \$1.90 and expires on July 7, 2011.

Each common share, warrant and Warrant Share is subject to a hold period expiring November 8, 2009.

Furthermore, Terra Energy has recently finalized an expansion of its credit facility to \$90 million with its existing syndicate of lenders (the "Facility"). The Facility is a revolving facility and includes a one-year term out provision which allows the facility to be classified as long-term debt.

The Transaction was funded utilizing the proceeds from the Financing and by drawing down on the Company's newly expanded Facility.

With the completion of the Transaction, Terra Energy moves closer to achieving its stated 2009 corporate objectives of: 1) reaching Intermediate status with more than 10,000 boe per day of production through a combination of organic growth and M&A activity; 2) improving the Company's production mix by increasing the oil to gas weighting closer to a 50/50 balance; and 3) maintaining a strong balance sheet.

The Transaction introduces meaningful oil production into the Company's existing production mix. Current production from the Arch Assets is approximately 2,200 boe per day weighted more than 35 percent to oil. The Arch Assets are approximately 70 percent operated, and represent an average working interest of approximately 77 percent on operated properties.

The Arch Assets also add more than 8.5 million of Proved plus Probable reserves (6.2 million Total Proved) and extend the Company's Reserve Life Index to over nine years. The acquired reserves are approximately 40 percent weighted to oil and of particularly high quality, with greater than 98 percent of Total Proved reserves comprised of Proved Developed Producing reserves. Based on a acquisition price of \$76.6 million, the Company acquired Proved plus Probable reserves at a cost of approximately \$9.00 per boe (attributing zero value to the undeveloped lands acquired). These acquisition metrics are quite favourable as they are even less than the Company's 2008 Finding and Development Costs of \$10.07 per boe.

## **COMMODITY PRICE RISK MANAGEMENT**

Terra Energy's Board and Management remain committed to prudent financial management and maintaining the Company's financial flexibility to pursue its stated corporate objectives. As a result, the Company has initiated an active risk management program whereby Management has or will enter into commodity hedges of approximately 30 percent of the

Company's anticipated gas production with the possibility of increasing this percentage to 50 percent in respect of periods beyond the third quarter of 2010. This risk management program is intended to protect acquisition economics and help maintain the Company's cash flow in an environment of continued deterioration in gas pricing in western Canada.

### **READER ADVISORY**

All amounts in Canadian dollars unless otherwise specified.

A boe conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency for the individual products at the wellhead. Such disclosure of boe's may be misleading, particularly if used in isolation.

This media release contains certain statements which constitute forward-looking statements or information, including the high quality and long-life nature of the reserves associated with the Arch Assets, the Company's future development of "oil targeted" development prospects, becoming an intermediate producer, the Company's ability to continue to improve its oil to gas weighting closer to a 50/50 balance, the Company's ability to maintain a strong balance sheet, the Company's ability to enter into additional market based hedging positions, development potential and the positioning of the Corporation for future growth, development and value creation. Although Terra Energy believes that the expectations reflected in our forward-looking statements are reasonable, our forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward looking information. As such, readers are cautioned not to place undue reliance on the forward looking information, as no assurance can be provided as to future results, levels of activity or achievements. Risks include, but are not limited to: the risks associated with the oil and gas industry (eg., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. The risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in more detail in our Annual Information Form and other documents available at [www.sedar.com](http://www.sedar.com). Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, Terra Energy

does not undertake any obligation to publicly update or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Terra Energy is a junior oil and gas company engaged in the exploration for, and development and production of, natural gas and oil in western Canada. Terra Energy's common shares trade on the Toronto Stock Exchange under the symbol 'TT'.

***For further information, please contact:***

Dean N. Morrison, CFA  
Manager, Corporate Affairs

Tel: 403 699 7777