FORM 27

MATERIAL CHANGE REPORT

1. Reporting Issuer:

Terraquest Energy Corporation
Suite 700, 550 – 11th Avenue S.W.
Calgary, Alberta
T2R 1M7

Telephone: (403) 298-1200
Fax: (403) 298-1202

2. Date of Material Change:

July 18, 2002

3. News Release:

A press release setting forth certain information relating to the material change described herein was issued on July 19, 2002 through the facilities of CCNMatthews.

4. Summary of Material Change:

On July 18, 2002, Terraquest Energy Corporation (the "Corporation") (i) entered into an agreement to acquire all of the outstanding securities of a private oil and gas company for a purchase price of approximately $9.5 million, plus the assumption of approximately of $1.5 million of debt and working capital, and (ii) entered into a financing agreement with Griffiths McBurny & Partners and Peters & Co. Limited and to issue 11,000,000 special warrants at $0.50 each, on a bought deal basis, for total gross proceeds of $5,500,000.

5. Full Description of Material Change:

The Corporation has entered into an agreement to acquire all of the issued and outstanding securities of a private oil and gas company for a purchase price of approximately $9.5 million, plus the assumption of approximately $1.5 million of debt and working capital. The private company currently produces approximately 750 boe per day (all boe conversions convert natural gas at 6:1) from seven properties in southern Alberta. Over 90% of the production is natural gas, with the private company owning and operating the facilities at its major producing area. Proven reserves are estimated internally to be approximately 1.2 million boe. The private company also has an operated land base of approximately 7,500 net acres, all in southern Alberta. Closing of the acquisition is expected to occur on or about August 2, 2002.

The Corporation has entered into an agreement with an underwriting syndicate consisting of Griffiths McBurny & Partners and Peters & Co. Limited respecting the sale by the Corporation of 11,000,000 special warrants, at a sale price of $0.50 per special warrant, for aggregate gross proceeds of $5.5 million.

Each special warrant will (subject to anti-dilution protection and adjustment) be exercisable into one common share in the capital of the Corporation at any time and from time to time until the earlier of: (i) five (5) business days following the date that receipts are received from the securities commissions in each of the provinces where the special warrants are sold for a final prospectus qualifying the distribution of common shares upon the exercise of the special warrants; and (ii) the day which is 365 days after the closing date.

If a receipt for the final prospectus is not received from any of the securities commissions on or prior to 120 days after closing, each holder of special warrants resident in a jurisdiction in which a receipt is not received (and holders wherever resident if receipts are not received from the Alberta and Ontario securities commissions) will be entitled to receive (subject to anti-dilution protection) 1.15 common shares in the capital of the Corporation in exchange for each special warrant held.

The proceeds from the sale of the special warrants will be utilized to partially fund the acquisition of the private company described above. All proceeds from the sale of special warrants will be held in escrow pending closing of the acquisition. If the acquisition is not completed on or prior to September 4, 2002 (or such later date as may be agreed), the Corporation will be obligated, at the election of warrantholders, to repurchase each special warrant at a purchase price equal to $0.50 plus a pro rata portion of the interest earned on the aggregate subscription proceeds.

Closing of the offering is expected to occur on or prior to July 31, 2002.

6. Reliance on Section 118(2) of the *Securities Act* (Alberta) or Equivalent Provision of other Securities Legislation

N/A

7. Omitted Information:

N/A

8. Senior Officers:

For further information concerning the material change described herein, please contact the following:

Name	Business Telephone Number
R. James Brown Vice President, Finance and Chief Financial Officer Terraquest Energy Corporation	(403) 298-1209

9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to in this report.

Dated at Calgary, Alberta this 25th day of July, 2002.

TERRAQUEST ENERGY CORPORATION

Per: *"R. James Brown"*
R. James Brown
Vice President, Finance and
Chief Financial Officer