MATERIAL CHANGE REPORT

1. Reporting Issuer:

Terraquest Energy Corporation ("Terraquest")
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Calgary, Alberta
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Telephone: (403) 298-1200
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2. Date of Material Change:

December 30, 2003.

3. News Release:

A press release setting forth certain information relating to the material change described herein was issued on December 31, 2003 through the facilities of CCNMatthews.

4. Summary of Material Change:

On December 30, 2003, Terraquest entered into an agreement with Masters Energy Inc. ("Masters"), a private oil and gas company, to merge, either by way of a take-over bid or amalgamation, with Masters and create a new public company to be led by Masters' current management team.

5. Full Description of Material Change:

On December 30, 2003, Terraquest entered into an agreement with Masters, a private oil and gas company, to merge, either by way of a take-over bid or amalgamation, with Masters and create a new public company to be led by Masters' current management team (the "Proposed Transaction").

Masters was formed in October 2003 by the former management team of Sunfire Energy Corporation ("Sunfire"). In October, 2003 Masters completed its initial financing of 17,752,000 special warrants (exercisable on a one-for-one basis into Masters' common shares) at a price of $1.00 per share. In early December, 2003, Masters made its first property acquisition, purchasing for approximately $7 million primarily 100% operated properties producing 450 boe per day in the Little Bow area of Southern Alberta, which complement Terraquest's assets in the area.

The Proposed Transaction will see Terraquest issue six Terraquest common shares (the "Shares") for every one of the outstanding securities of Masters. The Proposed Transaction will be followed by a one-for-twelve Share consolidation. After giving effect to the Proposed Transaction, Terraquest will have 172.1 million Shares outstanding pre-consolidation and 14.34 million Shares outstanding post-consolidation, of which former Terraquest shareholders will own approximately 38% and former Masters securityholders will own approximately 62%. The name of the combined company will be "Masters Energy Inc." or a variation thereof (the "Merged Company").

The Proposed Transaction has the unanimous support of the directors of both Masters and Terraquest. Griffiths McBurney & Partners acted as financial advisor to Terraquest with respect to the Proposed Transaction and has provided its opinion to Terraquest's board of directors that the Proposed Transaction is fair, from a financial point of view, to Terraquest's shareholders. The Proposed Transaction is subject to customary regulatory and shareholder approvals. Closing is expected to occur in late February following receipt of the necessary approvals.

Both Masters and Terraquest have agreed to pay a non-completion fee of $750,000 in certain circumstances, not to solicit competing proposals, and each has the right to match any unsolicited competing proposal received by the other company.

Masters' current management team will manage the Merged Company, led by Geoff Merritt as President and CEO, Russ Feschuk as Manager, Engineering, Gord Turner as Manager, Exploration, Lorne Brack as Manager, Geophysics, Les Burden as Manager, Land and Peter Goodman as Controller. These individuals were all former executives of Sunfire, which was sold to Tusk Energy Inc. in June 2003. The directors of the Merged Company will include Doug Mitchell, William Stedman, Fred Coles and Geoff Merritt, all current directors of Masters.

On a pro forma basis, the Merged Company will have a production base of 950 boe per day, of which 60% is oil and 40% is natural gas. The Merged Company will have a strong land position of approximately 85,000 net acres of undeveloped land in Alberta, with a strong inventory of natural gas prospects in West Central Alberta and oil and gas prospects in Southern Alberta. The Merged Company will have no debt and working capital of approximately $2 million.

The Shares offered pursuant to the Proposed Transaction will not be and have not been registered under the *United States Securities Act of 1933* and may not be offered or sold in the United States absent registration or an exemption from registration.

Certain information regarding Terraquest and Masters contained herein may contain forward-looking statements including expectations of future production, cash flow and earnings. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g. 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 projects relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from the potential delays or changes in plans with respect to exploration or development projects or capital expenditures.

6. Reliance on Confidentiality Provisions:

Not applicable.

7. Omitted Information:

Not applicable.

8. Senior Officer:

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 7th day of January, 2004.

TERRAQUEST ENERGY CORPORATION

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