



Epsilon Energy Ltd: Operational Update for North America

Concord, Ontario - January 6, 2009 – Epsilon Energy (“Epsilon or the Company”) (TSX: EPS) provides the following operations update on its North America projects.

Pennsylvania, ‘Highway 706’ – The Company has recently completed drilling the Poulsen 1H, a 2,700 foot lateral horizontal well. To date, Epsilon has drilled seven wells (four horizontal and three vertical), all of which target the Marcellus shale. Recent test results (previously announced on November 24, 2008) of the first completed horizontal well and first completed vertical well produced sustained rates of over 3 Mmcf/day and 1 Mmcf/day, respectively.

The next horizontal well hydraulic stimulation (Frac) is scheduled for mid to late January. Infrastructure work is ongoing, including obtaining the final phase of permits necessary to build the gathering system and shipment of the first compressor, which is scheduled to be completed by the end of January.

New York, ‘Park Place’ – Epsilon now holds a total of approximately 32,000 gross (16,000 net) acres in New York that is prospective for Marcellus shale development. The Company is moving forward with its operational phase by continuing to consolidate its Marcellus shale leasehold and is beginning work on drilling and infrastructure regulatory requirements. The Company is working with the New York Department of Environmental Conservation (NYDEC) to satisfy any requirements which stem from the current NYDEC Supplemental Environmental Impact Statement process, with the goal of commencing drilling operations in late 2009.

West Virginia, ‘Amber Bank & Blue Jacket’ – Epsilon has 108 wells producing in these two projects with 3 awaiting tie-in. The Company has drilled 111 gross (58.76 net) wells to date in West Virginia, with a 100% success rate.

Saskatchewan, ‘Torquay’ – The drilling program targeting the Bakken Shale formation is expected to begin in the third quarter of 2009. The Company holds more than 21,500 net prospective acres in the area.

Quebec, ‘Yamaska’ – Epsilon has elected to participate in future exploration targeting the Utica shale formation in the Yamaska project on acreage controlled by its partner, Gastem.

"With our monthly revenue and a strong cash position, Epsilon remains in a healthy state. By maintaining tight monetary controls and seeking to increase production at lower costs this position will be maintained" stated Fred Zaziski, Epsilon's President and CEO. The

company will continue to focus on increasing production revenue and decreasing costs, as required by the highly competitive market conditions.

About Epsilon Energy

Epsilon Energy is engaged in the exploration of oil and natural gas reserves in North America, the Middle East, and Africa. Epsilon Energy's strategy involves developing a well-balanced inventory of oil and natural gas projects, including high potential oil & gas properties in the Middle East and Africa coupled with lower risk oil and natural gas properties within Canada and the United States.

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