



Epsilon Energy Ltd. Announces Closing of its Farm Out Agreement with Chesapeake Energy Corporation

Concord, Ontario – February 3, 2010 – Epsilon Energy Ltd. (“Epsilon” or the “Company”) (TSX: EPS) today announced the closing of its Farm Out Agreement with Chesapeake Energy Corporation (NYSE:CHK) (“Chesapeake”) previously announced on January 18 2010. The assets in the joint venture include approximately 11,500 net acres of leasehold in the Highway 706 area in Susquehanna County, Pennsylvania; approximately 10 MMcf/day of current natural gas production, and related compression, pipeline and tap site facilities. In addition, Epsilon believes that its leasehold position will support the drilling of approximately 120-150 additional locations (60-75 net to Epsilon).

At closing Chesapeake paid to the joint venture approximately \$5 million in cash and will earn a 50% interest in Epsilon’s upstream Marcellus Shale assets by paying a further \$95 million over time by carrying the first \$95-million of Epsilon’s 50-per-cent share of leasehold, drilling, completing, equipping and gathering costs attributable to the prospect. The carry obligation is expected to be completed by August 1, 2012.

In the framework of the Farm Out Agreement, Chesapeake plans to spend a total of \$195 million developing the Highway 706 prospect.

Zoran Arandjelovic, Epsilon’s Executive Chairman, President and CEO, commented, “We believe this transaction creates tremendous value for our shareholders and we are very excited and looking forward to our partnership with Chesapeake. Chesapeake’s expertise will help us maximize return on our Pennsylvania assets while freeing up our resources to concentrate on our New York Marcellus Shale prospect.”

Aubrey K. McClendon, Chesapeake’s Chief Executive Officer, added, “We are very pleased to have now closed this transaction with Epsilon. Their acreage is located in an area of Susquehanna County where we expect average estimated ultimate reserve recoveries to be substantially greater than those found on average in the Marcellus. We expect to begin development work in the prospect area in short order.”

Epsilon Energy Ltd. is engaged in the exploration and production of natural gas reserves targeting the Marcellus Shale. The company also has participating interests and production sharing agreements in other natural gas and oil plays within North America, the Middle East, and Africa. Established in 2005, the Corporation has been a producer of natural gas and oil since 2006.

Epsilon's ongoing business strategy involves focused targeting of lower risk natural gas properties within the Marcellus Shale and other parts of Canada and the United States, as well as the high potential oil & gas properties in the Middle East and Africa. The common shares of Epsilon trade on The Toronto Stock Exchange under the symbol "EPS". Further information is available at www.epsilonenergyLtd.com.

Chesapeake Energy Corporation is the second-largest producer of natural gas in the U.S. Headquartered in Oklahoma City, the company's operations are focused on the development of onshore unconventional and conventional natural gas in the U.S. in the Barnett Shale, Haynesville Shale, Fayetteville Shale, Marcellus Shale, Anadarko Basin, Arkoma Basin, Appalachian Basin, Permian Basin, Delaware Basin, South Texas, Texas Gulf Coast and East Texas regions of the United States. Further information is available at www.chk.com.

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Forward-Looking Statements

Certain statements contained in this news release constitute forward looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements are based on reasonable assumption but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this news release should not be unduly relied upon.

Special note for news distribution in the United States

The securities described in the news release have not been registered under the United States Securities Act of 1933, as amended, (the "1933 Act") or state securities laws. Any holder of these securities, by purchasing such securities, agrees for the benefit of Epsilon Energy Ltd. (the "Corporation") that such securities may not be offered, sold, or otherwise transferred only (A) to the Corporation or its affiliates; (B) outside the United States in accordance with applicable state laws and either (1) Rule 144(as) under the 1933 Act or (2) Rule 144 under the 1933 Act, if applicable.