



## **Epsilon Energy provides operations update for its Highway 706 project in the Marcellus Shale**

**CONCORD, Ontario – February 6, 2009**– Epsilon Energy Ltd (TSX: EPS) (“Epsilon” or the “Company”), is pleased to provide an operations update on its Hwy 706 project in the Marcellus shale in Pennsylvania, where it is the operator and holds a 100% working interest.

The Company has completed a five stage packer’s plus completion utilizing a large slickwater frac with various sand concentrations on a 2,200 foot lateral on the Larue 2H. On a stabilized rate, the Larue 2H flowed natural gas at a rate in excess of 4.2 MMcf/d. The Larue 2H is the third well of seven wells drilled to date on the Highway 706 project. The eighth well in Epsilon’s drilling program, the Hardic 2H, is currently underway and is being drilled horizontally. Previously the Company announced production tests resulting in stabilized rates of over 3 MMcf per day from the Larue 1H (drilled horizontally) and over 1 MMcf per day from the Larue 1A (drilled vertically).

The compressor for the project has been delivered and construction of the facility site and pipeline gathering system will commence immediately upon issuance of the PA ESCGP-1 permit. The permit has been submitted, been approved for administrative completeness and now awaits final technical review. Construction of the pipeline system is expected to commence in the first quarter of 2009. Initial production is expected to occur during the second quarter of 2009.

“We are extremely pleased with the testing results to date on our Highway 706 project, which have exceeded our expectations. With these positive results, we expect to rapidly increase our production and cash flow in the coming months and continue to make substantial reserve additions to our portfolio of properties”, stated Fred Zaziski, Epsilon’s President and CEO.

### **About the Marcellus Shale play**

The Marcellus Shale stretches from southern New York through western Pennsylvania into eastern Ohio and across West Virginia, where Epsilon has approximately 125,000 gross (55,000 net) leasehold acres, including approximately 88,000 gross (40,000 net) leasehold acres in highly prospective areas within Pennsylvania, New York and Ohio. Industry publications, such as the January 2009 issue of the *Oil & Gas Investor*, continue to be very bullish on the Marcellus Shale, including recently published estimates of an average of 3.30 Bcf of gross reserves per well, average finding and development costs of \$1.42/Mcfe and average internal rates of return of 86% based on average capital costs of \$2,500 per mineral acre and average drilling costs of \$3.75 million per well. The Company has significantly lower acquisition capital costs than the aforementioned averages and has begun to lower their development costs while experiencing improving test production results.

### **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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**Forward-Looking Statements**

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