



Epsilon Energy Ltd. provides Operations Update

CONCORD, Ontario – July 2, 2008 – Epsilon Energy (“Epsilon” or the “Company”) (TSX: EPS) is pleased to provide the following operations update:

North America

Pennsylvania

Epsilon has completed drilling the Larue #1H, the first horizontal well in its Highway 706 project and is in the process of drilling its 2nd horizontal well in the project, the Larue #2H. The Company plans to frac both wells and to conduct a microseismic evaluation on the completion and frac of the Larue #1H. Epsilon will use the data obtained during this microseismic evaluation to design and implement the frac procedure for the Larue #2H and other future Marcellus shale wells. The Company has secured services to continue drilling in the Highway 706 project into 2009. Additionally, Epsilon has entered into an agreement with Tennessee Gas Pipeline for the construction of a pipeline tap into its pipeline and has entered into an agreement with a third party to transport gas to the Tennessee Gas Pipeline system. The Company has also ordered compression and has completed design of the gathering system. Bids are being accepted for construction of the gathering system, which is expected to start in the fall of this year.

New York

Epsilon has participated in its first Marcellus shale well in New York and is encouraged by its results. The Company is staking wells on its existing acreage and expanding its Marcellus shale acreage position with the view of drilling additional wells in the Marcellus shale.

West Virginia

The Company has drilled 23 gross (12.38) net wells year-to-date and production continues to increase in this area.

Quebec

In the Yamaska project, Epsilon is working with its industry partners to further evaluate and develop this play and will report additional details as they become available.

International

Federal Democratic Republic of Ethiopia

Since signing the Northwest Study Agreement, Epsilon has acquired detailed stream drainage maps of Ethiopia. These have been interpreted and this work has shown 13 large surface high areas in the study area. It is hoped that some of these surface high areas also reflect subsurface structural high areas which could be oil prospects. The Company has also ordered Landsat imagery for the area. It is being mosaiced together and interpretation will start in mid-July.

The Republic of Yemen

The Company will issue an update on its Yemen operations shortly.

About Epsilon Energy Ltd.

Epsilon is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in the Middle East and North America. In the Republic of Yemen, Epsilon has a 57.14% paying interest and a 50% undivided interest in the Block 41 Production Sharing Agreement, which covers approximately 1.4 million gross (791,000 net) acres onshore. In North America, Epsilon has producing properties in West Virginia, New York and Ohio and is focused on additional exploration and development projects targeting the Marcellus Shale in the Appalachian Basin and the Utica Shale in Quebec, Canada.

FOR FURTHER INFORMATION PLEASE CONTACT:

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