



Epsilon Energy provides operational update of drilling results in Block 41 in the Republic of Yemen

CONCORD, Ontario – July 21, 2008 – Epsilon Energy Ltd (TSX: EPS) (“Epsilon” or the “Company”), via its wholly owned subsidiary Epsilon Energy Yemen Ltd. and its partners Oil and Gas Mine Company (“OGMC”), Geopetrol Shabwa Corp. and Yemen Oil and Gas Corporation (“YOGC”) are pleased to provide an update of the drilling program in Block 41 in the Republic of Yemen.

Epsilon and its partners plan to test, log and core the Naifa and Madbi formations in the Al Waya 2 (mistakenly referenced as having its name changed to Duda-1 in a previous release) after encountering a combined total of 450 meters of oil and gas shows in the two formations. In the Naifa formation, oil and gas shows covered approximately 240 meters, commencing at a depth of 1,400 meters of measured depth (“MD”). In the Madbi formation, oil and gas shows covered approximately 210 meters, commencing at a depth of 1,809 meters of MD. Additional oil and gas shows have been encountered at a depth of 2,043 meters MD. However, these results are preliminary and more specific details will be provided once data has been further reviewed and interpreted. The Al Waya 2 was drilled into the granite basement section to a depth of 2,434 meters MD, at which point a seven-inch casing liner was installed. A six-inch hole was then drilled to reach a total final depth of 2,681 meters.

Once testing and evaluation (30 – 60 days) is completed, Epsilon and its partners plan to drill the Duda-1, which will be drilled approximately one kilometer away utilizing the same drilling rig as the Al Waya 2.

In addition, Epsilon and its partners have secured a second drilling rig. Road and location work is underway to drill the West Mahrawa-2. Drilling operations on the West Mahrawa-2 are expected to commence during August.

Additional information is available on the Epsilon Energy Ltd. Web site at <http://www.epsilonenergyltd.com>.

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 Ethiopia Epsilon has signed a study agreement covering 154,871.53 sq. km with the option to acquire an oil & gas concession for the entire area or concessions for portions thereof. 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:

Epsilon Energy Ltd.
Dennis Tatum
Chief Financial Officer
(231) 922-0467 Ext: 101
Email: dennis.tatum@epsilonenergyltd.com
Website: www.epsilonenergyltd.com

Forward-Looking Statements

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