



Epsilon Energy Ltd. Signs Letter of Intent with a Large US-based Private Land Owner for the Development of Potential Oil Play in Southern United States

Concord, Ontario – August 26, 2010 – Epsilon Energy Ltd. (“Epsilon” or the “Corporation”) (TSX: EPS) is pleased to announce the execution of a letter of intent for the development of a potential oil play in the southern U.S. with a large US-based private land owner (“land owner”). Pursuant to the letter of intent, the parties will set out the details of their relationship in a joint venture agreement, to be effective no later than October 1, 2010. Under the principal terms of agreement, Epsilon is committed to drill a minimum of two wells at an estimated cost of US\$10 million and, in turn, Epsilon will earn 60% of land owner’s available mineral interests in the approximate 15,800 gross/13,600 net acres it owns or controls.

Zoran Arandjelovic, Epsilon’s Executive Chairman, President and CEO, stated, “We are extremely pleased to be partnering with this large land owner and consider it a very advantageous strategic move for Epsilon to better balance its oil and gas interests. The acreage subject to the proposed joint operating agreement is in the immediate proximity of an existing producing oil fairway. Epsilon will drill two lateral wellbores to test horizontal enhancement of the oil play. We expect the expenditures on this project to commence in the second quarter of 2011.”

Epsilon Energy Ltd. is engaged in the exploration and production of natural gas reserves. The Corporation also has participating interests and production sharing agreements in other natural gas and oil plays within North America 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 Africa.

For further information please contact:

Eva Wolosiuk
Chief Financial Officer
(905) 738 - 7877
Email: eva.wolosiuk@epsilonenergy.com
Website: www.epsilonenergy.com

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.