



## **Epsilon Energy Ltd. Provides Operations Update**

**Concord, Ontario – September 23, 2008** – Epsilon Energy (“Epsilon” or the “Company”) (TSX: EPS) is pleased to provide an operations update.

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***A conference call is scheduled for 8:00 AM Eastern Standard Time on Wednesday, September 24, 2008 to discuss the Company’s operational progress. Call in information is as follows:***

**Conference call dial in numbers:**

416-695-9761 or 866-542-4270  
(there is no pass code)

**Instant Replay Numbers (available through September 30, 2008):**

416-695-5800 or 800-408-3053  
Pass code: 3271563

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## **OPERATIONAL UPDATE**

### **North America**

#### *Pennsylvania*

Epsilon has completed drilling the Larue #1H and the Larue #2H, the first two wells in their horizontal drilling program in its Highway 706 project and is in the process of drilling its 3rd horizontal well in the project, the Poulson #2H. The Company has recently obtained necessary Susquehanna River Basin Commission (SRBC) water withdrawal permits to facilitate not only the continued drilling and completion of its horizontal program but also the completion of the scheduled fracs for its existing drilled wells. The first of those fracs, along with scheduled microseismic evaluation, is expected to be completed by mid November. Infrastructure projects continue to move forward with construction dates finalized for the tap point into the Tennessee Gas Pipeline and bids have been awarded for construction of the gathering system, which will begin as soon as the Pennsylvania Department of Environmental Protection issues its General Permit for all of the proposed pipeline construction activities.

Additionally, Epsilon has recently reached agreement with Cabot Oil and Gas for a leasehold swap of approximately 2,000 acres in Susquehanna County, PA. The acreage deal further consolidates Epsilon's lease position in its Highway 706 project and adds approximately 15-20 drillable locations within the Highway 706 project.

### *New York*

Based on the positive results of Epsilon's participation in its first non operated Marcellus Shale well in New York, the Company has commenced staking its first 4 Epsilon operated NY Marcellus wells on existing acreage and is performing due diligence on its recently announced 10,200 gross (5,100 net) leasehold acreage acquisition, which was announced in a press release dated September 10, 2008.

### *West Virginia*

The Company has drilled 25 gross (13.64) net wells year-to-date. Production continues to increase in both the West Virginia and NY Empire projects; Epsilon's current overall production rate is now over 3 MMcfe/day.

### *Quebec*

In the Yamaska project, Epsilon continues to work with its industry partners to further evaluate and develop this play. Results from Forest Oil's completion of their first two horizontal wells on the Yamaska block are anticipated in 4thQ 2008 and the encouraging published results from Talisman's initial Utica test program shed favorable light on Epsilon's interest in the Quebec Utica play.

## **International**

### *Federal Democratic Republic of Ethiopia*

Republic of Ethiopia – Epsilon Energy International Ltd has hired New Resolution Geophysics from South Africa to conduct a 27,500 square kilometer aero-gravity and aero-magnetic survey over a portion of our Northwest Study Area. The survey is expected to start in October.

### *The Republic of Yemen*

Republic of Yemen – The Al Waya 2 well is being kicked to the up thrown side of the structure to test the Naifa formation. Drilling is expected to take 10-14 days with completion operations to follow. As outlined in the 6-2-08 and 7-21-08 press release updates, the Al Waya 2 well originally targeted the Al Waya up thrown structure, however the directional tools failed and the drill bit drifted to the down thrown side. The decision was made to continue drilling to test the down thrown Duda feature. Initial data appeared very favorable with numerous oil and gas shows while drilling with good pay intervals present on the logs. Testing has revealed the well to be directly in the downthrown fault zone and all zones have tested wet.

The West Mahrawa #2 location has been built. Drilling operations for the West Mahrawa #2 are expected to commence on Sunday, September 26<sup>th</sup> by Site Group Rig #6. Locations are currently being built for the Kaninah and Mukalla features and drilling on both of those features is expected to follow the completion of Al Waya 2 and West Mahrawa drilling operations.

Fred Zaziski, Epsilon's President and CEO, stated, "While it is unfortunate that the Al Waya 2 well ended up in the downthrown fault zone, those results do not diminish the real upside within the Al Waya, West Mahrawa, East Mahrawa, Kaninah and Mukalla features. The information gained will be beneficial to Epsilon's future operations in Block 41."

## **About Epsilon Energy Ltd.**

Epsilon is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in the Middle East, Africa and North America:

- 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 5,600 sq. km onshore.
- Democratic Federal Republic of Ethiopia: Epsilon has signed a study agreement covering 154,871.53 sq. km with the option to acquire oil & gas concessions for the entire area or portions thereof.
- 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 the United States, Bakken Oil Shale in the Saskatchewan province of Canada and the Utica Shale in the Quebec province of Canada.

### **FOR FURTHER INFORMATION PLEASE CONTACT:**

Epsilon Energy Ltd.  
Dennis Tatum  
Chief Financial Officer  
(231) 922-0467 ext: #101  
Email: [dennis.tatum@epsilonenergyltd.com](mailto:dennis.tatum@epsilonenergyltd.com)  
Website: [www.epsilonenergyltd.com](http://www.epsilonenergyltd.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.