



Epsilon Energy Ltd. enters into Participation Agreement in Bakken oil play

CONCORD, Ontario – September 9, 2008 – Epsilon Energy Ltd (TSX: EPS) (“Epsilon” or the “Company”) is pleased to announce that it has entered into a Participation Agreement with a private Canadian company covering joint oil & gas exploration and development activities in a 63,360 gross acre Area of Mutual Interest (“AMI”) covering the Bakken oil play in southeast Saskatchewan province subject to completion of due diligence.

Under the terms of the Participation Agreement the Company has the ability to earn a 50% interest in approximately 8,960 gross (7,806 net) acres within the AMI. The private Canadian company will be the operator of the AMI and drilling operations on the first well are expected to commence within the next 60 – 90 days. The Company estimates it will spend a minimum amount of US\$5.0 million on this project. The project lies within the favorable Saskatchewan province royalty area.

Fred Zaziski, Epsilon’s President, stated “we are looking forward to a successful joint venture in the Bakken oil play, which exposes us to one of the hottest oil plays in north America. This project will further strengthen and diversify our portfolio of oil and gas assets.”

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:

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Forward-Looking Statements

Certain statements contained in this new 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 assumptions 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 this 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.