



**Epsilon Energy Ltd. - Operational Update on Highway 706 Project:
Production increases, Compressor on line and 3-D Seismic ahead of
schedule**

Concord, Ontario – October 15, 2009 – Epsilon Energy Ltd. (“Epsilon” or the “Corporation”) (TSX: EPS) is pleased to provide an operational update on its Highway 706 project targeting the Marcellus Shale in Pennsylvania, where it holds a 100% working interest.

The Corporation has made significant progress in commercializing its Marcellus Shale property in Pennsylvania. In 2008/2009 the corporation has drilled eight wells and seven wells are ready to produce natural gas that can be sold. The remaining one well will be completed in the next two weeks. The corporation has also completed approximately 12 miles of pipeline gathering system that will facilitate the sale of natural gas.

Epsilon announced today that it has initiated natural gas production from the Larue #1A well, with an initial production rate of 0.8 Mmcf per day. The addition of natural gas production from Larue #1A increases the total daily production rate to approximately 4.6 Mmcf per day, an all time high for Epsilon.

The Corporation is also pleased to announce that its first compressor is now operational and capable of handling 6 Mmcf per day. As a result of this achievement, the corporation can begin selling gas from four previously completed wells and by the end of October gas production from the four wells will fill the 6 Mmcf per day capacity of the first compressor. At current prevailing natural gas prices of approximately \$4.50 per Mcf, the compressor will generate revenues of approximately \$10 million per year.

The Corporation also announced that a second compressor is in the process of being installed, which will double the capacity of natural gas sales to 12 Mmcf per day by the end of 2009 as additional wells are brought on line.

The stimulation program on the Hardic #2H, a horizontal well, has been completed and is currently being tested. Initial test has shown a production rate in excess of 5.0 Mmcf per day through 26/64” choke.

Epsilon has made significant strides to improve cash liquidity with the previously announced sale of its non-core leases in West Virginia that raised approximately \$13 million. Additional cash of approximately \$13 million will be

received on October 16th, 2009 upon completing the sale of non-core leases in Eastern Pennsylvania.

The Corporation's cash position and its growing cash flow from the sale of natural gas will facilitate the commencement of a new drilling program in 2010 of 8 to 10 additional wells. In order to improve the likelihood of drilling success in its future gas wells, the Corporation has moved ahead with a 3-D Seismic data collection for its Marcellus Shale project and is currently ahead of schedule.

Zoran Arandjelovic, Epsilon's Executive Chairman, President and CEO, stated, "Epsilon's natural gas production from the Marcellus Shale project continues to grow. It is exciting to watch the Corporation's development of this world class gas property. A new drilling program is planned and cash flow from operations will facilitate future growth. The future looks great."

Epsilon Energy Ltd. is engaged in the exploration and production of natural gas reserves targeting the Marcellus Shale. The company also has participating interests and production sharing agreements in other natural gas and oil plays within North America, the Middle East, 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 the Middle East and Africa. The common shares of Epsilon trade on The Toronto Stock Exchange under the symbol "EPS".

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