



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

CONCORD, Ontario – October 21, 2008 – Epsilon Energy Ltd (TSX: EPS) (“Epsilon” or the “Company”), with its wholly owned subsidiary Epsilon Energy Yemen Ltd. (EEYL) and its partners Oil and Gas Mine Company (OGMC), Geopetrol Shabwa Corp. and Yemen Oil and Gas Corporation (YOGC), are providing the following update of their drilling program on Block 41 in the Republic of Yemen.

Al Waya #2 Side Track

While drilling the Al Waya #2 Side Track, Epsilon encountered numerous mechanical issues. Due to the expenses involved, the decision was made to pull out of the hole and abandon the well. Unfortunately the Naifa formation, the primary target, was never reached and no firm decision about the size of the Al Waya field oil accumulation can be made at this time.

The Al Waya #2 Side Track was kicked off at a depth of 524 meters and drilled directionally at a 40 degree inclination to a depth of 1,450 meters. At this depth, a complete loss circulation situation was encountered due to a fault or highly fractured zone. Different grades of loss circulation material were used to try to cure the losses without success. The decision was made to drill blindly to make sure that the (fault and/or fractured zone) was drilled before spotting a cement plug. The well was drilled blindly an additional 27 meters. While pulling out of the hole to run in with the cement stringer, the bottom hole assembly (BHA) got stuck. After multiple attempts, the BHA was freed. While running back in the hole to clean the well, Epsilon had to ream down with high torque which caused the BHA to part. The parted BHA was recovered during a fishing attempt. An extra attempt was made to clean the hole but the reaming down progress was too slow. The decision was then made to pull out of hole and abandon the well.

Kaninah #1

The Kaninah #1, the next well in the Block 41 drilling program, is expected to commence drilling in approximately two weeks.

West Mahrawa #2

Drilling operations for the West Mahrawa #2 well commenced of September 26th and are continuing.

Additional information is available on the Epsilon Energy Ltd. Web site. <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, 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.

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

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