



**Signs a Definitive Participation Agreement and Releases Third Quarter 2010 Results
Continues the Strong Earnings Trend from the First Six Months of 2010**

Concord, Ontario – November 4, 2010 – Epsilon Energy Ltd. (“Epsilon” or the “Corporation”) (TSX: EPS) is pleased to announce that, pursuant to the letter of intent signed in August 2010 and reported in the press release of August 26, 2010, the Corporation signed a definitive Participation Agreement (the “Agreement”), effective October 1, 2010, for the development of an oil resource play in Clarke and Wayne Counties, Mississippi, with Black Stone Minerals Company, L.P (“Black Stone”). Under the principal terms of the Agreement, the Corporation is committed to drill a minimum of two horizontal wells at an estimated cost of \$10,000,000 in return for a lease of 60% of Black Stone’s available mineral interests in the approximate 15,800 gross (13,600 net) acres it owns or controls.

Also today, Epsilon announced its 2010 third quarter results and provided an update on operations.

EPSILON ENERGY LTD. HIGHLIGHTS

(in 000’s of U.S. dollars, except per unit amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 2,690	\$ 607	\$ 10,556	\$ 3,046
Cost of operations	1,735	3,350	8,600	10,155
Loss on sale of assets	-	14	-	9,743
Other income (loss)	28	(55)	68	(240)
Income tax recovery	-	-	-	2,600
Net income (loss)	\$ 983	\$ (2,812)	\$ 2,024	\$ (14,492)
Net assets	\$ 62,326	\$ 81,857	\$ 62,326	\$ 81,857
Net income (loss) per share, basic	\$ 0.02	\$ (0.06)	\$ 0.04	\$ (0.29)
Net income (loss) per share, diluted	\$ 0.02	\$ (0.26)	\$ 0.04	\$ (0.29)

During the first nine months of 2010, the Corporation continued to explore, develop and expand its oil and natural gas interests and generated a net income of \$2.0 million, as compared to a \$14.5 million net loss for the same period of 2009. The variance is due to additional six wells operating in Pennsylvania in 2010 compared to only two in 2009 for a total of 8 wells currently in operation. In addition, in 2009, the Corporation recorded a \$9.74 million net loss on the sale of its oil and natural gas property interests in West Virginia.

Operations Update

Pennsylvania - The Corporation is proceeding with its drilling program in the Marcellus shale under the joint operating agreement with Chesapeake and StatOil. The wells from the current drilling program are expected to commence production in the first quarter of 2011. The drilling is occurring on multi-well pads; therefore, completions are expected to be performed in batches. As a result, production increases will be staggered in large blocks as opposed to gradual increases. Currently, Epsilon’s daily gross production in Pennsylvania is approximately 8 MMcf.

Saskatchewan - The Corporation plans to drill three wells in Saskatchewan by the end of 2010.

Zoran Arandjelovic, Epsilon's Executive Chairman, President and CEO, stated, "We are extremely pleased with our quarterly results that show continued profitability despite lower gas prices and natural declines in production. With the addition of the joint venture with Black Stone and our continuing drilling program with our partners in Saskatchewan on Bakken and Midale formations, we look forward to continued strong operating results and a much more favourable mix of oil and gas production revenues in 2011."

Epsilon Energy Ltd. is engaged in the exploration and production of natural gas reserves targeting the Marcellus Shale. 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. Further information is available at www.epsilonenergyLtd.com.

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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.