



## Epsilon Energy Ltd. Releases First Quarter 2010 Results

**Concord, Ontario – May 10, 2010** – Epsilon Energy Ltd. (“Epsilon”) (TSX: EPS) is pleased to announce its 2010 first quarter results and appointment of Ms. Eva Wolosiuk, CA, CPA, CFE as Chief Financial Officer. Ms. Wolosiuk brings to Epsilon over twelve years of auditing experience with strong knowledge of financial reporting and internal control design and management.

### **EPSILON ENERGY LTD. HIGHLIGHTS** **(in 000's of U.S. dollars, except # of shares and per unit amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>	<b>\$ 3,996</b>	<b>\$ 1,708</b>
Cost of operations	3,964	2,470
<b>Operating income (loss)</b>	<b>32</b>	<b>(762)</b>
Other income (expense)	18	(72)
<b>Net income (loss)</b>	<b>\$ 50</b>	<b>\$ (834)</b>
Basic and diluted net income (loss) per share	\$ 0.00	\$ (0.02)
Weighted average number of shares outstanding	50,550,998	50,315,323

The net income for the three months ended March 31, 2010 of approximately \$0.1 million (\$0.00 per share) as compared to a net loss of \$0.8 million (\$0.02 per share) for the same period in 2009 was primarily attributable to a combination of following factors, which are further explained in the MD&A:

- \$2.3 million attributable to higher revenue,
- \$0.1 million attributable to interest revenue booked in the first quarter of 2010 versus interest expenses incurred in the first quarter of 2009,
- Partially offset by \$0.9 million higher DD&A costs and \$0.7 million higher G&A costs.

Zoran Arandjelovic, Epsilon’s Executive Chairman, President and CEO, stated, “Epsilon’s 2010 first quarter results prove that Epsilon has turned the corner. We expect Epsilon to continue to be profitable in 2010. Excluding a one-time \$1.0 million Chesapeake farmout agreement related transaction expense; Epsilon’s net profit would have been approximately \$1.1 million (\$0.02/share) for the first

quarter of 2010. I want to reiterate Epsilon's enviable financial position. With only fifteen full-time employees, the overhead costs remain below 2008 levels. We are debt free and have sufficient cash on hand to follow our operational and capital plans for 2010."

Mr. Arandjelovic further added, "It has been a very busy first quarter for Epsilon. With the Chesapeake farmout agreement firmly in place we have shifted our focus to our next important project, the Marcellus Shale prospect in New York. We are actively managing our leases in this area and we drilled four wells during the quarter. We are ready to ramp up our operations in New York when the moratorium on conducting hydraulic fracturing for the extraction of natural gas is lifted."

**About Epsilon:**

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". Further information is available at [www.epsilonenergyLtd.com](http://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**

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