Epsilon Energy Ltd. Provides Update on Pennsylvania Marcellus Production and Saskatchewan Oil Development.

Concord, Ontario – December 30, 2011

Epsilon Energy Ltd. ("Epsilon" or "the Company") is pleased to announce the following developments:

- Substantial increase in Marcellus gas production, in line with 2011 exit guidance
- Acceleration of drilling activity in Saskatchewan oil projects
- Continued build-out of 400 MMCF/D gas gathering system of which Epsilon owns 35%
- Expectation for continued strong growth in production of oil and gas in 2012

Pennsylvania

This year was transformational for Epsilon Energy. Epsilon's Joint Venture in Susquehanna County, PA with operator Chesapeake Energy Corporation (NYSE:CHK) ("Chesapeake") is beginning to yield significant production increases. After achieving initial production in June 2011, the JV is currently (as of December 29, 2011) producing 82.0 gross / 17.5 net MMCF/D of natural gas. Epsilon's largest Working Interest ("WI") pad, with an average WI of 46.2%, is currently being brought online. Two of the six wells are currently producing at a combined rate of 9.7 MMCF/D (4.4 MMCF/D, net). As the wells clean up and the remaining four wells are brought online over the next ten days, the six well pad is anticipated to produce 48 MMCF/D gross (22.2 MMCF/D, net) on a restricted choke which will result in total net production reaching and surpassing Epsilon's 2011 exit guidance. Furthermore, as a result of recent drilling and completion activity by Chesapeake, Epsilon expects production to continue to increase significantly throughout 2012 as additional wells are turned in line. It is important to note that Epsilon achieved these milestones with minimal capital expenditures as a result of the Farmout Agreement with Chesapeake.

As of December 30, 2011, Epsilon has 14.1 gross / 3.1 net JV wells flowing to market and 53 gross / 14.7 net wells in various stages of development. More specifically, Epsilon has:

- 13 gross / 3.2 net wells waiting on pipeline.
- 36 gross / 10.3 net wells drilled, waiting on fracture stimulation.
- 2 gross / 0.8 net wells in various stages of drilling.

- 2 gross / 0.4 net wells shut-in temporarily due to nearby development activity.

In the JV to date, the average well has been drilled with a lateral length of approximately 5,300 feet in the lower Marcellus zone and has been completed with in excess of 10 frac stages. It is important to note that Chesapeake intentionally restricts production levels of individual wells to approximately 8 MMCF/D which Chesapeake believes enhances the performance, the reserves, and, ultimately, the financial return of the wells in this highly prolific part of the Marcellus play. Based on flowing pressures and well results from other operators in close proximity to our JV acreage, Epsilon believes many of our wells are capable of flowing at substantially higher rates if the wells were not intentionally restricted.

In addition to the lower Marcellus zone, the Purcell Limestone and the Upper Marcellus zones are being tested by operators within Susquehanna County and within close proximity to the JV acreage. These zones could provide significant additional reserves to Epsilon in the future.

Epsilon is also pleased to announce that the construction of the 400 MMCF/D gathering system has progressed substantially in Q4, and build-out will continue through Q1 of next year. Epsilon has a 35% ownership interest in this system with partners Statoil Pipelines, LLC, a subsidiary of Statoil (NYSE: STO) and Appalachia Midstream Services, LLC, a subsidiary of Chesapeake. The gathering system taps the Tennessee Gas interstate pipeline which provides market access for all production from existing and future wells within the JV. As a result of the substantial construction of the gathering system that has taken place through Q4, Epsilon does not anticipate any significant future delays tying wells into market. Management believes the 35% ownership of this gathering system is a significant asset for Epsilon which is not properly appreciated by the marketplace.

Epsilon has also benefitted from continued strong commodity price realizations in 2011, which is a result of its partnership with Chesapeake, the 2nd largest natural gas producer in the United States. Although natural gas prices have been weak, Epsilon's realizations have been relatively strong. During October, the average realized price Epsilon received for our Marcellus production was a 5.4% premium to the average NYMEX Henry Hub spot price.

Epsilon is eager to share with investors our year end reserve report to be completed at the end of Q1 2012 which will incorporate the successful drilling results of 2011.

Saskatchewan

As previously reported, Epsilon is very pleased with preliminary results from its oil-weighted Ceylon and Torquay projects in Saskatchewan. In Ceylon, Epsilon holds a 50% interest in 13,440 acres. Spartan Oil Corporation (TSE:STO) ("Spartan") ("Operator") holds the remaining 50% and serves as operator. An unstimulated vertical Bakken well drilled earlier in 2011 had an initial production rate of 45 gross bopd. At nearby Torquay, where Epsilon holds a 50% interest in 4,480 acres (and has the opportunity to earn an additional 50% interest in 9,920 acres) the previously reported Midale discovery continues to produce at rates that exceed expectations. The Midale discovery tested at a rate of 358 gross bopd, and has produced 12,493 gross barrels of oil over 91 days of production.

Based on initial well results and the interpretation of a proprietary 3D seismic survey, Epsilon believes multiple Bakken and Midale locations exist on its acreage. Spartan, as operator of both Ceylon and Torquay, is currently in various stages of drilling and testing three additional wells. Furthermore, Spartan is currently preparing a 2012 development plan for these assets. Due to the relative low cost of the wells and the favorable royalty structure in Saskatchewan, Epsilon anticipates accelerating the development of these valuable oil projects in 2012.

About Epsilon Energy Ltd.

Epsilon is engaged in the exploration and production of natural gas reserves. The Company also has participating interests and production sharing agreements in other natural gas and oil plays within North America and Africa. Established in 2005, the Company 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 and gas properties in Africa.

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