



## **Epsilon Energy Ltd. Announces Results from its Saskatchewan Exploration Projects and Update in Pennsylvania for Gas Gathering**

**Concord, Ontario – August 30, 2011**

Epsilon Energy Ltd. ("Epsilon" or "the Company") is pleased to announce results from our CEYLON and TORQUAY projects in Saskatchewan. CEYLON is a 13,440 acre block of contiguous acreage in which the Company holds a 50% interest. Spartan Oil Corporation owns the remaining 50% interest and operates the project. A well drilled earlier in the year was completed after delays due to weather and lease sales. It is a vertical Bakken discovery with an IP of 44 BOPD. The well is still stabilizing but appears to be settling at 25 BOPD with no water cut. This well produces from an unstimulated Bakken interval. The Company believes much greater rates can be achieved in the project with horizontal drilling and fracture stimulation. A 3D seismic survey will commence shortly followed by a horizontal Bakken well prior to year end. At the nearby TORQUAY project, the company has tested a Midale discovery at an Initial Rate of 262 BOPD based on a 10 hour test. This Midale discovery was drilled off a proprietary 3D seismic survey. The survey shows multiple Midale and Bakken locations. Spartan Oil Corp. is operator and has 50% of this well, with Epsilon Energy having the remaining 50%. Epsilon looks forward to accelerating these oil projects in Saskatchewan and is excited about the potential of the area and pleased with our relationship with the operator.

The company has also completed and signed an Interim Agreement for Gas Gathering Systems in its Marcellus Shale project with partners Chesapeake Energy Corporation, Statoil USA Onshore Properties, Inc and their respective affiliates. This Agreement governs both current and future gathering systems for the project, in which Epsilon holds a 35% Interest. Chesapeake and Statoil hold the remaining 65% Interest. To better align Epsilon's interest in the overall project area than originally anticipated in the farm-out agreement, the Company has sold an additional 15% Interest in the existing gathering system beyond the 50% Interest as contemplated in the farm-out. Epsilon will receive total proceeds of \$6,500,000 from this sale. The new gathering system currently under construction will have an ultimate capacity of 400 MMCFPD and will service both the 3-party farm-out area as well as have additional off-take capacity for off system gas. The planned gathering system is a critical component for the development of this project and represents a major step forward for future takeaway capacity.

### **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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