



For Immediate Release

*Investor Contact: Richard Lindermanis
(713) 824-0895
ral@pegasienergy.com*

Pegasi Energy Resources Announces the Sale of its 59 Disposal Plant for \$1.3MM

Tyler, Texas, July 6, 2011/PrimeNewswire/ - Pegasi Energy Resources Corp. (OTCBB: PGSI), an East Texas based oil and gas exploration and production company headquartered in Tyler Texas today announced the sale of its 59 Disposal Plant in Marion, County Texas for \$1.3MM to Frontier Income and Growth LLC, located in Dallas Texas. The sale is effective as of July 1, 2011.

The 59 Disposal Plant is a fully owned subsidiary of Pegasi Energy Resources Corporation in which the company owns an 80% interest. The plant was built by the company to accommodate waste water and flow back from its own drilling operations which was mainly drilling for gas with a large amount of associated water. With the company's present emphasis on drilling for oil, the plant is not as essential to the companies present drilling plans. The sale to Frontier Income and Growth LLC includes in the contract a favorable pricing per barrel for continuing to dispose the company waste water from all of their operations in the area. The proceeds from the sale will be used for general operating costs and drilling operations in the Cornerstone Project.

The area of the Cornerstone Project has produced over 400 million barrels of oil and more than 2.3 trillion cubic feet of gas. Pegasi is focused on applying new horizontal drilling and multistage frac technology to recover substantial additional oil and gas reserves which remain in place.

Management Comments

Mr. Michael Neufeld, President and CEO of Pegasi said; "We are pleased with the sale of the plant which fits in with our plan of placing all emphasis on developing our oil potential with horizontal drilling on our vast acreage position. We feel that our plan of action will enable the Company to develop our existing reserve base, continue to adding to that base resulting in enhanced stock value."

About Pegasi Energy Resources Corporation

Pegasi Energy Resources Corporation is an organic growth-oriented independent oil and gas exploration and production company, headquartered in Tyler, Texas. Pegasi is focused on a repeatable, low geological risk, high potential project in the active East Texas oil and gas region. The company's strategy is focused on establishing a portfolio of drilling opportunities to exploit undeveloped reserves to grow production, as well as undertaking exploration to grow future reserves. Additional information concerning Pegasi Energy is available at www.pegasienergy.com.

Forward Looking Statements

Cautionary Note to U.S. Investors -- The United States Securities and Exchange Commission (“SEC”) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this press release, such as probable, possible and potential, that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 8-K, filed with the SEC or available from us at our principal executive offices at 218 N. Broadway, Suite 204, Tyler Texas 75702. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

The statements in this press release regarding Pegasi Energy’s expectations with respect to the timing of testing and drilling operations, transportation of crude oil, and the construction of the pipeline, the ability of Pegasi Energy to plan a full field development, including additional drilling, facilities and pipeline to handle new production as appropriate through 2011, and the expectation as to sources of funding, are ‘forward-looking statements’ within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934. Although these forward-looking statements reflect the good faith judgment of management, forward-looking statements are inherently subject to known and unknown risks and uncertainties that may cause actual results to be materially different from those discussed in these forward-looking statements including, but not limited to, in the case of these forward-looking statements: unexpected delays in drilling or pipeline or other transportation infrastructure completion due to equipment failure or other unforeseen reasons; unforeseen events, such as unexpected difficulties in drilling or unexpected discoveries, may cause Pegasi Energy to reallocate resources, which may delay drilling, surveys, design plans, transportation infrastructure development and production or alter the mix of development drilling and exploration drilling in Pegasi Energy’s portfolio; and unexpected costs may decrease funds available to carry out Pegasi Energy’s plans described in this press release, which could delay or prevent execution of these plans. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Pegasi Energy assumes no obligation to update these forward-looking statements to reflect any event or circumstance that may arise after the date of this release, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures, including the risk factors, made by Pegasi Energy in its reports filed with the Securities and Exchange Commission, in particular under the caption “Risk Factors” of its 8-K filed on March 24, 2009, which attempt to advise interested parties of the risks and factors that may affect Pegasi Energy’s business. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, Pegasi Energy’s actual results may vary materially from those expected or projected.