



For Immediate Release

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Pegasi announces 30-day production rate for its first horizontal well

Tyler, Texas, August 3, 2012/PrimeNewswire/ - Pegasi Energy Resources Corp. (OTCBB: PGSI) (the "Company") is pleased to provide investors with an update on the production of the Morse Unit #1-H, its first horizontal well, in Cass County, Texas following 30 days of oil production.

An independent contractor reported a wellhead production rate of 288 bpd oil and 454 MCF gas at 3 AM August 3rd, 2012. This spot production rate of 364 BOE (Barrels of Oil Equivalent) per day compares with an average for the previous 24hrs of 309 BOE. The well has consistently produced high quality, light, sweet oil of an API gravity in excess of 40 degrees. The Company is currently designing an artificial lift system that it anticipates will further enhance the well's production rate.

CEO Michael Neufeld commented: "We are very pleased with the sustained production rate of our first horizontal well. The results of the 5-stage fracture completion of the Morse give us great confidence in our strategy for the further development of our Cornerstone acreage, which now amounts to 30,205 Gross Acres or 20,960 Net Operated Acres of which the Company holds 12,115 Net Acres. On the strength of the productivity of the 5-stage Morse we now plan to drill horizontal wells of 3,000 to 5,000 ft in length and complete them with fracture stimulation in 15 to 25 stages respectively. These horizontal wells are being drilled to develop the Company's contingent resources and their success will add significantly to the company's 3P reserves."

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 Disclosure

Certain statements in this press release are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words such as "anticipate," "believe," "forecast," "estimated" and "intend," among others. These forward-looking statements are based on the Company's current expectations and actual results could differ materially. There are a number of factors that could cause actual events to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, history of losses; speculative nature

of oil and natural gas exploration, particularly in the Rodessa Oil Field in East Texas on which the Company is focused; substantial capital requirements and ability to access additional capital; ability to meet the drilling schedule; changes in tax regulations applicable to the oil and natural gas industry; relationships with partners and service providers; ability to acquire additional leasehold interests or other oil and natural gas properties; defects in title to the Company's oil and natural gas interests; ability to manage growth in the Company's businesses; ability to control properties that the Company does not operate; lack of diversification; competition in the oil and natural gas industry; global financial conditions; oil and natural gas realized prices; ability to market and distribute oil and natural gas produced; seasonal weather conditions; and government regulation of the oil and natural gas industry, including potential regulations affecting hydraulic fracturing and environmental regulations such as climate change regulations. The Company does not undertake an obligation to update or revise any forward-looking statement. Investors should read the risk factors set forth in the Annual Report on Form 10-K filed with the SEC on March 28, 2012 and future periodic reports filed with the Securities and Exchange Commission. All of the Company's forward-looking statements are expressly qualified by all such risk factors and other cautionary statements. The information set forth herein speaks only as of the date hereof.