



For Immediate Release

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

Pegasi Energy Resources Announces Initial Results of Testing on its Swamp Fox #1 Well in Marion County, Texas

Tyler, Texas, June 20, 2011/PrimeNewswire/ - Pegasi Energy Resources Corp. (OTCBB: PGSI), an East Texas based oil and gas exploration and production company headquartered in Tyler Texas today released the initial results of the swab testing of its Swamp Fox #1 well in Marion County, Texas.

The Swamp Fox #1 well was drilled to a total depth of 7,000 feet and has been completed at 6,500 feet in a Cretaceous aged reservoir. After a specialized fracture treatment the well swab tested 82 bbls of 35.1 degree API gravity oil and 118 Bbls of associated saltwater. The company has a 28% working interest in the well. The swamp Fox #1 well is part of the company's ongoing plans to drill shallow (7,000') targets within its large Cornerstone project in order to hold existing leases for future development with its anticipated horizontal drilling program for deeper targets at approximately 10,000 feet.

The development of this plan was initiated with the previously announced Norbord # 1 with a test of 12.66 MMCF per day and 55.2 BBLSPD of 60 degree condensate per day AOF. Pegasi anticipates drilling additional development wells to these same targets in the second half of 2011. These wells and the future deep horizontal wells will enable Pegasi to develop its previously announced reserves of 14.3 mmboe and contingent resource of 77.1 mmboe for a total of 91.4 million barrels of oil equivalent in all categories. All of the reported oil and gas reserves are from the Company's Cornerstone project located in Marion and Cass counties in northeast Texas and are based on independent engineering by James E. Smith and Associates.

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 continue to actively seek partnerships and capital to properly exploit these resources. 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.