

Pinnacle Gas Resources, Inc. Provides Update: September Sets Production Record, Third Quarter Hook-Ups Establish New Record, Capital Investment Program on Target, Joint Venture to Explore Mesaverde Horizons in Green River Underway

Sheridan, Wyoming – October 1, 2008 – Pinnacle Gas Resources, Inc. (Pinnacle) (PINN:Nasdaq) today provided an operational update on its Powder River Basin and Green River Basin Activity.

Record Production and Well Completions

Pinnacle announced that the Company reached a record sustained net production rate of 14.0 million cubic feet of natural gas per day in September up from 10.7 million cubic feet of natural gas per day for the first half of 2008. In addition, the company continues to execute on its drilling and completion plan, providing significant growth opportunities for the balance of 2008 and 2009.

“We are pleased with our continued production growth which should lead to continued record production levels for the balance of 2008 and into 2009,” said Peter Schoonmaker, Pinnacle President and Chief Executive Officer. “We continue to make meaningful advances in our drilling, completion and hook-up processes which have helped improve efficiencies and reduce the time in which we reach initial well production.”

In addition to record production, Pinnacle continues to accelerate new well completions. Year-to-date, Pinnacle has placed 123 wells on-line, another company record, all of which have been completed in multiple coal target zones. Moreover, well efficiencies continue to improve. Pinnacle has reduced the average time from drilling a well to placing a well on-line to 25 days, from an average of 60 days in previous years.

“Pinnacle’s ability to reduce drilling and completion time create efficiencies that should positively impact our bottom-line in coming quarters,” Schoonmaker added. “We continue to improve our skills at multi-coal zone completion, adding not only to overall production but also reducing overall operating costs. Further efficiency improvements are likely as we continue to develop our large leasehold position and work toward our \$3.00 per Mcf unit operating cost goal”.

The company is on schedule to reach its goal to hook-up wells drilled in all of its key operating areas including 119 wells in the Cabin Creek development, 20 wells in the Kirby/Deer Creek development, and 7 wells in the Recluse development. In addition, with the recent success in recompletions in Montana and Cabin Creek, the Company has expanded our recompletion program to another 36 wells in Montana and Cabin Creek in 2008.

Cabin Creek Development Continues to Grow

Pinnacle also announced that Phase V of its federal plan of development in its Cabin Creek development received final approval on September 22, 2008. The plan approved an additional 60 drilling locations in Cabin Creek.

“The approval of Phase V is key to Pinnacle’s development plans for the balance of 2008 and into 2009,” added Schoonmaker. “This region has significant infrastructure in place, allowing the company to accelerate its completion and hook-up process which should further reduce time from spud to sales.”

Green River Basin – Mesaverde Joint Venture

Pinnacle recently entered a joint venture with Jmac Resources, LLC (Jmac) – a private independent exploration company with significant operations in the Green River Basin – under which Jmac will drill a Mesaverde test on Pinnacle’s acreage on or before July 1, 2009.

Jmac will fund all expenses related to the drilling and completion of the well at which time Pinnacle will receive a 6.5% carried interest. In addition, Pinnacle receives a 2.6% Overriding Royalty Interest in the well. After Jmac has recaptured the costs of drilling and completing the well, Pinnacle’s working interest increases to 19.5%. Pinnacle is not responsible for funding any portion of the drilling or completion of the well.

Upon completion of the first well Jmac will earn certain additional drilling rights on Pinnacle’s leasehold in the Green River Basin as long as Jmac drills a second well on or before December 31, 2009 and two additional wells over the next 360 days. Jmac will carry Pinnacle on each well under terms identical to the initial exploratory with Pinnacle bearing none of the drilling or completion costs.

“Pinnacle’s partnership with Jmac creates an opportunity for the Company to benefit from conventional gas exploration without committing any capital to an exploration program,” said Schoonmaker. “Jmac has significant experience in developing the Mesaverde formation in the Green River Basin and we are excited about the opportunity to benefit from their experience and geological talent. Independent reserve engineers indicate Estimated Ultimate Recovery from successful Mesaverde wells in the Green River Basin of 2-8 Bcf on 160 acre spacing.”

Capital Position

Pinnacle remains focused on its 2008 capital program which should be funded through cash flow and the Company’s credit facility. The company expects to begin the process of setting its 2009 capital plan in the fourth quarter with its Board of Directors.

“While Rockies gas prices have softened – as is expected in the shoulder months – Pinnacle continues to generate strong cash flow and expects to continue to see solid growth in the coming months,” said Ron Barnes, Pinnacle CFO and Senior Vice President. “We expect winter to bring strong realized gas prices and, as a result, increased cash flows. Our increased production and reduced operating costs should position the company to continue its capital budget growth in 2009.”

About Pinnacle

Pinnacle Gas Resources, Inc. is an independent energy company engaged in the acquisition, exploration and development of domestic onshore natural gas reserves. It focuses on the development of coalbed methane (CBM) properties located in the Rocky Mountain region. Pinnacle holds CBM acreage in the Powder River Basin in

northeastern Wyoming and southern Montana as well as in the Green River Basin in southern Wyoming. Pinnacle Gas Resources was founded in 2003 and is headquartered in Sheridan, Wyoming.

Safe Harbor

This press release contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations, industry conditions, and indebtedness covenant compliance are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "anticipate," "target," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items contemplating or making assumptions about, actual or potential future sales, market size, collaborations, and trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our Company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, general economic or industry conditions, nationally and/or in the communities in which our Company conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our Company's operations, products, services and prices.