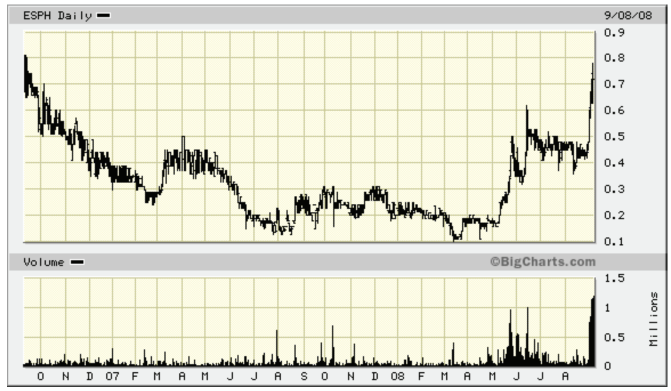
WALL ST. RESOURCES

EQUITY NOTE
September 9, 2008

Paul Silver, 772-219-7525

ecosphere

Symbol (OTCBB)	**ESPH**
Industry	Oil and Gas
Sub-Industry:	Equipment
Risk Level:	Speculative
Share Price (9/08/08)	$0.71
52 Week High	$0.72
52 Week Low	$0.10
Market Capitalization	$114.1M
Issued and Outstanding (8/8/08)	71.93M
Fully Diluted Shares (8/8/08)	160.70M
Approximate Float (approx)	36.366M



Ecosphere Technologies, Inc.—Updated Shale Play Forecast

In our Analytical Profile published on June 26th, 2008, we addressed the natural gas production levels in the Barnett Shale. In this section, we stated that 2007 production from the Barnett Shale play was 1.115 trillion cubic feet, or 3.05 billion cubic feet per day. This data is important because it speaks to the large and growing demand for water treatment and solutions as part of the natural gas drilling process in the Barnett Shale.

On September 4th, 2008, Ross Smith Energy Group (RSEG) published a report titled "Lots of Gas...How Fast?" which provides a gas supply forecast for eight major shale plays in North America. This report provides an updated look at expected natural gas production in the Barnett Shale as well as the seven other major shale plays in the United States.

RSEG Forecasts

In its report, RSEG created two shale gas models: the Industry Case and the 70/70 Case. The Industry Case forecasts the potential growth of shale gas in the North American natural gas market in the event that disclosed North American oil and gas company expectations become reality. The 70/70 Case takes a more conservative approach.

Based on its Industry Case, RSEG anticipates approximately 21 billion cubic feet per day from the eight major shale plays by 2013, up from present production levels of approximately 6 billion cubic feet per day. RSEG forecasts that the eight major shale plays combined will yield cumulative production of 31.982 trillion cubic feet by December 2013.

Industry Case Year-End 2007 vs. Forecasted Year-End 2013

	December 31, 2007			December 31, 2013		
Play	Rate (Bcf/d)	Cum. Production (Bcf)	Cum. Wells	Rate (Bcf/d)	Cum. Production (Bcf)	Cum. Wells
Fayetteville	0.4	99.9	536	2.3	3,368.9	7,110
Barnett	3.7	2,714.0	5,311	4.9	13,999.1	16,195
Woodford	0.3	92.7	510	1.6	2,192.3	3,627
Utica				0.3	142.4	889
Haynesville				7.1	6,678.5	5,488
Horn River				1.4	725.7	840
Montney				2.4	2,822.4	1,953
Marcellus				2.8	2,053.0	4,252

Note: Bcf stands for billions of cubic feet, Bcf/d is billions of cubic feet per day
Source: RSEG Gas Supply Report dated Sept. 4, 2008

For the Barnett shale, RSEG estimates that production will increase from 3.7 billion cubic feet per day (with 5,311cumulative wells) representing cumulative production of 2.714 trillion cubic feet to 4.9 billion cubic feet per (with 16,195 cumulative wells) representing cumulative production of 13.999 trillion cubic feet as of December 2013, representing annualized production growth (CAGR) of 31%. RSEG reports that the emerging shale plays (Utica, Haynesville, Horn River, Montney, and Marcellus) that are presently not producing any natural gas will produce a combined 12.4 trillion cubic feet by December 2013.

RSEG's 70/70 Case assumes a 30% reduction in the well rates and ultimate recovery per well and wells per year from the Industry Case in the emerging shale plays only. This was done because RSEG had observed that publicly available production data are up to 30% lower than disclosed company expectations and industry disclosed EURs for the emerging shale plays are significantly higher than those witnessed in the established shale plays. In addition, service, pipe, rig and permitting constraints will conspire to slow development. As a result, the 70/70 Case results in an average of approximately 15 billion cubic feet per day by 2013 resulting in cumulative production of 25.647 trillion cubic feet. We note that the Barnett figures from the Industry Case and the 70/70 Case are identical because only the emerging shale plays were adjusted. RSEG notes that these estimates only include viable shale plays discovered to date. Because shale is the most abundant sedimentary rock, RSEG believes that there will be additional discoveries in the future.

Market Size Increases

This RSEG report and its production growth conclusions (31% CAGR) reinforce the demand for waste water solutions in the Barnett shales, as well as the other major seven shale plays in North America. On average, it takes 100,000 barrels of water to "frac" a well, all of which will eventually flow back to the surface and will need treatment or disposal. With an estimated 16,195 cumulative wells expected in the Barnett shale alone, this represents 1.62 billion barrels of water that need treatment or disposal. If Ecosphere were to filter only the frac flowback water (approx. 1/3 of the 100,000 barrels of produced water per well) at $2.10 per barrel, that would translate into revenues of $1.12 billion (50/50 JV with Bledsoe Capital would earn 100% of this figure, with approximately $224 million dropping down to Ecosphere Technologies as JV income). Including all 40,354 cumulative wells expected in all eight shale plays by December 2013, the total revenue figure would approach $2.8 billion. These figures assume that the Company only focuses on the frac flowback water market.

Although these updated production forecasts are compelling, we are maintaining our earnings estimate and 12-month price target of $2.15 per share until the field deployment is more advanced. We believe that this is the most conservative approach as the Company is still in the early stages of its pilot programs with Devon Energy, Williams Energy and an undisclosed company in Oklahoma. However, this updated information leads us to believe that there is significant upside to our estimates and price target as the Company's roll-out plan continues.

For more information visit Ecosphere Technologies' website at http://www.ecospheretech.com/

For additional information, please contact:

ecosphere

Ecosphere Technologies, Inc.
3515 South East Lionel Terrace
Stuart, FL 34997
Phone: (772) 287-4846
Fax: (772) 781-4778

WALL ST. RESOURCES

Wall Street Resources
2646 SW Mapp Road, Suite 303,
Palm City, FL 34990
P: 772-219-7525
F: 772-219-3579
www.wallstreetresources.net