

Daybreak Enters Into Agreement With Chevron U.S.A., Inc.

Spokane, Washington – July 12, 2007 - Daybreak Oil and Gas, Inc. (OTC Bulletin Board: DBRM. PK) (“Daybreak”) a Washington Corporation, today announced a Seismic Option Farm-Out Agreement (the “Agreement”) with Chevron U.S.A., Inc. (“Chevron”). Under the terms of the agreement, Chevron will fund 100% of the cost of a 3-D seismic survey in the San Joaquin Basin in southern California.

Daybreak and its Partners (the “Partners”) and Chevron will contribute approximately 16,000 and 3,000 gross acres of mineral leases respectively for a 33 square mile high definition 3-D exploration seismic survey. After processing and interpretation of the seismic data, the Partners will drill 3 wells on mutually agreed prospects. The Partners as a group and Chevron will then each hold a 50% interest in the lands and wells.

The 3-D high definition survey will be the first modern data acquisition over the survey area. Drilling targets are highly porous and permeable sandstone reservoirs containing 15o API to 25o API crude oils at depths of 1,200 feet to 3,000 feet, and are therefore relatively inexpensive to drill.

It is expected that the seismic survey will commence in the third quarter of 2007.

Daybreak will retain a 25% interest in the seismic option lands with no further cost through completion of the seismic program, and will retain a 50% interest in its other oil and gas assets in California.

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