

Daybreak Updates California East Slopes Project Progress

SPOKANE, Wash., January 9, 2008 -- Daybreak Oil and Gas, Inc. (OTC Bulletin Board: DBRM - News; "Daybreak") a Washington Corporation today announced that data processing is underway following the recently completed field acquisition of the 35 square-mile 3-D seismic survey on its East Slopes project area in the San Joaquin basin, Kern County, California. Early field observations and first-pass processing indicates that the data quality is very good.

The survey, which covers an Area of Mutual Interest (AMI) established by Daybreak and its partners ("the Partners") and Chevron U.S.A. Inc., was initiated in late October of this year. Chevron joined the project under the terms of a Seismic Option Farm-In Agreement, which allows Chevron to earn a 50% interest in the approximately 19,000 acres of leases contributed to the AMI by the Partners in exchange for Chevron funding 100% of the cost of the 3-D seismic survey acquisition and processing. The Partners have the subsequent option to earn an aggregate 50% interest in approximately 3,000 acres of leases contributed by Chevron to the AMI, by drilling four initial test wells on mutually agreed prospects. After earning, the Partners and Chevron will each own a 50% interest (Daybreak-25%) in the entire AMI leasehold and the acquired seismic data.

This high definition 3-D survey is the first modern data acquisition over the AMI area which is located in a highly productive part of the San Joaquin Basin. Drilling targets are porous and permeable sandstone reservoirs containing 15 degree API to 25 degree API crude oils at depths of 1,200 feet to 4,000 feet.

Processing of the 3-D survey will require approximately four more weeks before final prospect interpretation products are completed. Identification of the initial prospect portfolio will likely be completed by mid-February. Drilling could commence on selected prospects as early as the first quarter of 2008, subject to rig availability.

Daybreak will pay 50% of the cost of the initial four test wells; to retain a 25% interest in the entire AMI leasehold. After drilling and completion, Chevron has the option to operate the wells drilled on the AMI lands. The produced crude oil will be sold to Chevron at posted market prices. Daybreak retains a 50% interest in its other oil and gas assets in California outside the AMI.

For more information about Daybreak Oil and Gas Inc., please visit its website at www.daybreakoilandgas.com.

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