

## **DAYBREAK ENTERS FARMIN AGREEMENT WITH A MAJOR OIL AND GAS COMPANY IN FOLLOW UP OF DISCOVERY WELL**

Spokane, Washington – October 12, 2006 - Daybreak Oil and Gas, Inc. (OTC Bulletin Board: DBRM.OB) a Washington Corporation, has signed a initial farmin agreement with a major oil and gas company that covers approximately 5,600 acres in North Eastern Louisiana. This completes the initial assemblage of acreage on the Chicago Mill, Basal Tuscaloosa Sand prospect. Under the terms of the farmin, Daybreak and its partners have committed to drill two wells on either side of the Tensas River in Tensas Parish Louisiana within a six month time period. Daybreak expects the rig to be on site by November 2006.

In January of 2006, Daybreak and its partners drilled the Tensas Farms F-1 well. The well was tied in and completed in June of this year and placed into production with a reduced choke size.

There are four additional exploratory drilling locations in the farmin, some with multi zone potential. The Discovery location, referred to as the “F” Prospect, has three additional development locations to fully develop the reserves. The exploratory prospects are covered in total by a 3D seismic survey. Daybreak has leased a significant amount of additional acreage on the play and has accumulated a net working interest of 48% in the key acreage.

Robert Martin, President of Daybreak Oil and Gas stated, “ I believe this project to be of significant economic potential and will give Daybreak the opportunity to quickly drill large potential targets at medium risk. I am appreciative of the tremendous effort by the staff of Daybreak and its partners, both financial and industry, to make the initial discovery and accumulate the necessary acreage, increase its net interest position and secure a drilling rig to carry out the development of the project.”

Daybreak Oil and Gas Inc. is a Junior Oil and Gas Company that has secured significant interests in several oil and gas plays in the Gulf Coast region of Texas and Louisiana as well as the east slopes of the San Joaquin Basin in the State of California. The project areas are in and around major petroleum and gas producing regions. The selected targets are fields in the one million barrel range for the lower risk plays and up to 100 million barrels in the higher risk projects.

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