DAYBREAK SIGNS "LOI" FOR DRILLING IN TEXAS

Spokane, Washington, Daybreak Oil and Gas, Inc, announces that they have signed a Letter of Intent (LOI) to redevelop a proven existing oil field with a horizontal drilling program in the upper Gulf Coast of Texas.

The reservoir, known as the Edwards Limestone, produced three shallow fields which were originally found in the 1920's. The trapping mechanism is an up-to-the-coast fault which places impermeable Pecan Gap shales adjacent to porous Edwards dolomite.

This existing oil field has produced about 60 million barrels of oil, the bulk of which was recovered in the initial years of operation. The economic key to the project is efficient water disposal; a problem solved by reinjecting produced water back into the Lower Edwards.

Initial plans for a pilot project call for three horizontal wells and one salt water disposal well. The project may ultimately have in excess of 50 wells to fully redevelop the pool.

Daybreak is currently in negotiations for the acquisition of two drilling rigs and a joint venture with the drilling operator.

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