DAYBREAK INITIATES DRILLING IN LOUISIANA

Spokane, Washington – January 3, 2006 -- Daybreak Oil and Gas, Inc. (OTC Bulletin Board:DBRM.OB) announces it will commence drilling its next oil and gas project, located in Louisiana, the first week of January, 2006. Permits have been obtained and the necessary preparation to the site has been completed. The target depth of the well will be 8,400 feet. This target, in the Basal Tuscaloosa Sand, was identified by use of an extensive 3D seismic survey. Daybreak previously signed a Letter of Intent ("LOI") to explore within a 55 (fifty-five) square mile Area of Mutual Interest ("AMI") in north-eastern Louisiana. The area is covered by a 3D seismic survey and Daybreak will have full use of this data. Daybreak has already committed $730,000 to this project.

Three additional development locations are postulated on the prospect, should the well be successful. Daybreak's interest in the project is 40% subject to a 75% net revenue interest.

The Basal Tuscaloosa is one of the most prolific Cretaceous trends on the Gulf Coast with individual producing wells averaging approximately 400,000 barrels of oil and 2 billion cubic feet ("Bcf") of gas each. The AMI is offset to the east and southeast by several large nearby Tuscaloosa fields having produced from about 1.7 million barrels ("MMBbls") of oil and 9 Bcf of gas, to a maximum of 87.1 MMBbls of oil and 530 Bcf of gas.

In other news today, Daybreak announced that the working interest participants in the Curlee #1 well, of which Daybreak has a 25% (twenty-five percent) interest, have decided to not complete the Curlee # 1 well in San Patricio County, Texas. Despite some interesting hydrocarbon shows, it was determined from well logs and side wall cores that the water saturations in the several potential zones were too high. "We have extensive additional knowledge about the Ginny South project geology from drilling the Curlee #1 well and it has encouraged Daybreak to formulate plans to drill a second well in the summer of 2006 after the new data is fully interpreted", stated Robert Martin, Daybreak President and Professional Geologist.

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