DAYBREAK ENCOUNTERS MULTIPLE HYDROCARBON SHOWS WHILE DRILLING GINNY SOUTH PROJECT

Spokane, Washington – December 25, 2005 -- Daybreak Oil and Gas, Inc. (OTC Bulletin Board:DBRM.OB) as part of a joint venture with MPG Petroleum Inc. has encountered two zones with hydrocarbon shows while drilling the MPG Curlee # 1 well on the Ginny South prospect in San Patricio County on the Gulf Coast of Texas.

Hydrocarbon shows were encountered at the 7,632 foot and the 7,970 foot Frio sands, and were located structurally higher, up dip from the same sands in the No. 1 Easley well drilled in 1966. Although the hydrocarbon shows are encouraging; the Curlee # 1 well will not be determined to be commercial until completion of the well. The MPG Curlee #1 target depth of 9,550 feet is expected to be achieved in the next several days. In August 1966, Roy M. Huffington Inc. drilled the No. 1 Easley well on the Ginny South prospect to test the Lower Frio. Analysis of the well logs from the No. 1 Easley, has shown the Middle Frio zones are possibly capable of production. MPG Curlee #1 is approximately 1,000 (one thousand) feet northeast of the No. 1 Easley well.

DAYBREAK CLOSES PRIVATE PLACEMENT OFFERING

Daybreak Oil and Gas, Inc. has closed a private placement offering that has been in progress to raise operating capital. The private placement raised $1,100,000 (one million, one hundred thousand). The shares of Daybreak common stock were offered at a price of $0.25 (twenty-five cents) per share. A total of 4,400,000 shares of Daybreak common have been issued. The private placement was over subscribed by $100,000 (one hundred thousand) or 10% (ten percent).

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