Daybreak Enters Into Drilling Rig Agreement

Spokane, Washington – September 8, 2006 - Daybreak Oil and Gas, Inc. (OTC Bulletin Board: DBRM. OB) a Washington Corporation, today announced they had finalized an agreement with Green River Drilling, LLC of Venus, Texas, to supply the financing for the refurbishing of a drilling rig capable of drilling to a 9,500 foot depth.

The terms for the financing agreement call for Daybreak to advance a total of $600,000 for the refurbishing project. In exchange for financing the refurbishing of the drilling rig, Daybreak will have the right to exclusive use of the drilling rig for a period of three years. Additionally, Daybreak will have the option to purchase a 49% interest in Green River Drilling, LLC for the cost of the refurbishing and $200,000 in cash or in restricted common stock.

Robert Martin, President of Daybreak is quoted as saying “This is a very significant event for Daybreak. Having control of a drilling rig allows Daybreak to execute its business plan and meet its obligations for drilling in Louisiana”.

In other news Daybreak has now completed a second well, the 3-C, in its Saxet Field project in Corpus Christi, Texas. Daybreak anticipates this well to join the production from the 8-C in the next few days.

The third well, the 7-C is currently being reworked and is anticipated to be perforated early next week. The fourth and fifth wells in the Saxet Field will be reworked and perforated following the completion of the 7-C.

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