

# Daybreak Oil and Gas, Inc.

OTCBB:DBRM

January 13, 2012



- **Shallow Oil**
- **Large Acreage Position in Kern County, CA**
- **3-D Seismic**
- **Operator of the Project**
- **Production Facilities in Place**
- **Low Cost Operator**
- **Proved Oil Reserves**

## Management Team

*James F. Westmoreland*  
President and CEO

*Robert N. Martin*  
Sr. Vice President, Exploration

*Bennett Anderson*  
Chief Operating Officer

**Reserve Engineer**  
*Lonquist & Co. LLC*  
Austin, TX

**Auditors**  
*MaloneBailey, LLP*  
Houston, TX

**Transfer Agent**  
*Computershare Trust*  
Company, N.A.  
250 Royall Street  
Canton, MA 02021  
1-800-962-4284

**Investor Relations**  
**Ed Capko**  
Phone: (815) 942-2581  
[edc@daybreakoilandgas.com](mailto:edc@daybreakoilandgas.com)

**Daybreak Oil and Gas, Inc.**  
1414 S. Friendswood Dr.  
Suite 215  
Friendswood, TX 77546  
(281) 996-4176

## Company Profile

Daybreak Oil and Gas, Inc. is an independent oil and gas company engaged in the exploration, development and production of oil and gas in California. The Company is headquartered in Spokane, Washington with an operations office in Friendswood, Texas. Daybreak has approximately 20,000 acres under lease in the San Joaquin Valley of California.

## Business Strategy

Our basic business model is to increase shareholder value by finding and developing shallow oil and gas reserves through exploration and development activities, and selling the production from those reserves at a profit.

To accomplish this we:

- use 3-D seismic and other advanced technologies to evaluate our acreage and prove our oil reserves;
- apply advanced drilling and completion techniques to develop our oil reserves; and
- have the necessary facilities to produce and market our oil production in a low cost manner.

## Our Property

- approximately 20,000 acres under lease in Kern County, California
- 41.67% Working Interest
- 3-D Seismic coverage over entire acreage position
- 238,000 Barrels of Proved Oil Reserves at 2/28/11
- 11 Proved Undeveloped locations to drill
- 11 Producing oil wells
- Current production of 35 - 45 BOPD
- Low Operating Cost of \$15 – \$20 per barrel

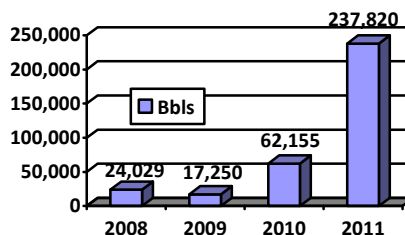
## Operational Statistics

Production	Three Months Ended			
	November 30, 2011	August 31, 2011	May 31, 2011	February 28, 2011
Production (Bbls)	2,699	3,362	3,502	3,805
Revenue	\$ 290,912	\$ 331,684	\$ 380,351	\$ 320,375
LOE Costs	\$ 66,460	\$ 59,071	\$ 40,772	\$ 62,524
Average Price Per Bbl	\$ 107.80	\$ 98.66	\$ 108.61	\$ 84.20
Average LOE Cost/Bbl	\$ 24.69	\$ 17.57	\$ 11.64	\$ 16.43

## Improved Finding Cost

	Year Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
Capital Expenditures	\$ 1,563,473	\$ 1,278,136	\$ 1,794,392
Reserve Additions (Bbls)	188,674	48,047	11,972
Finding Cost Per Bbl	\$ 8.28	\$ 26.60	\$ 149.88

## Reserve Growth



Reserve Summary Cash Flow*			
2/28/11			
	Bbls	Non Disc	Disc 10%
Proved Producing	80,500	\$ 3,331,840	\$ 2,020,050
Proved Non-Producing	8,340	\$ 371,040	\$ 258,910
Proved Undeveloped	148,990	\$ 5,872,040	\$ 3,080,820
<b>Total Proved</b>	<b>237,820</b>	<b>\$ 9,575,290</b>	<b>\$ 5,359,780</b>

\*Fully engineered by Lonquist & Co LLC @ 3/01/11 using prescribed SEC pricing of \$82.01 per Bbl

## Prospect Summaries

### ***Bull Run Prospect***

This prospect is located in the southern portion of our acreage position. The drilling targets are the Etchegoin and Santa Margarita sands located between 800 and 1,200 feet deep. We drilled an exploratory well on this prospect in December 2011 that was determined to be not viable for commercial production and the well was plugged and abandoned. Utilizing the data received from this well, we expect to drill another exploratory well on this prospect during 2012. Based on wells drilled by previous operators and our recently reprocessed 3-D seismic data, we estimate that the Bull Run Prospect has gross recoverable reserve potential of 2 million barrels of oil. The Bull Run wells will require a pilot steam flood and additional production facilities. We have a 41.67% working interest in this prospect.

### ***Glide-Kendall Prospect***

This prospect is also located in the southern portion of our acreage position. The drilling targets are the Olcese and Eocene sands between 1,000 and 2,000 feet deep. We plan to drill an exploratory well in the spring of 2012. We estimate that the Glide Kendall prospect is 200 acres in size with a gross recoverable reserve potential of 500,000 barrels of oil. We have a 41.67% working interest in this prospect.

### ***Sherman Prospect***

This prospect is located in the southern portion of our acreage position. The drilling targets are the Olcese and Etchegoin sands between 1,000 and 2,000 feet deep. We plan to drill an exploratory well in 2012. We estimate that the Sherman Prospect is 100 acres in size with a gross recoverable reserve potential of 300,000 barrels of oil. We have a 41.67% working interest in this prospect.

### ***Breckenridge-Chimney Prospect***

This prospect is located in the central portion of our acreage position. The drilling targets are the Vedder and Eocene sands between 2,000 and 2,500 feet deep. We plan to drill an exploratory well in 2012. We estimate that the Breckenridge-Chimney prospect is 60 acres in size with a gross recoverable reserve potential of 1.5 million barrels of oil. We have a 41.67% working interest in this prospect.

### ***Tobias Prospect***

This prospect is also located in the central portion of our acreage position. The drilling targets are the Vedder and Eocene sands between 2,000 and 2,500 feet deep. We plan to drill an exploratory well in 2012. We estimate that the Tobias prospect is 60 acres in size with a gross recoverable reserve potential of 700,000 barrels of oil. We have a 41.67% working interest in this prospect.

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**“Safe Harbor” Statement under Private Securities Litigation Reform Act of 1995:** Certain statements contained herein constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Information contained herein contains “forward-looking statements” which can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “should,” “up to,” “approximately,” “likely,” “plan,” “estimate,” or “anticipates” or the negative thereof or given that the future results covered by such forward-looking statements will be achieved. These forward-looking statements are based on our current expectations, assumptions, estimates and projections for the future of our business and our industry and are not statements of historical fact. Such forward-looking statements include, but are not limited to, statements about our expectations regarding our future operating results, our future capital expenditures, our expansion and growth of operations and our future investments in and acquisitions of oil and natural gas properties.

The SEC requires oil and gas companies, in filings made with the SEC, to disclose proved reserves, which are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, under existing economic condition, operating methods, and governmental regulations. Beginning with year-end reserves for 2009, the SEC permits the optional disclosure of probable and possible reserves. We may elect to use in this presentation, but not in our Annual Report on Form 10-K, “probable” reserves and “possible” reserves, excluding their valuation. The SEC defines “probable” reserves as “those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.” The SEC defines “possible” reserves as “those additional reserves that are less certain to be recovered than probable reserves.”. Statements of reserves are only estimates and may not correspond to the ultimate quantities of oil and gas recovered. Any reserve estimates provided in this presentation that are not specifically designated as being estimates of proved reserves may include estimated reserves not necessarily calculated in accordance with, or contemplated by, the SEC’s latest reserve reporting guidelines. Investors are urged to consider closely the disclosure in Daybreak’s Annual Report on Form 10-K for the fiscal year ended February 28, 2011. You can obtain this report from the SEC by calling 1-800-SEC-0330 or from the SEC’s website at [www.sec.gov](http://www.sec.gov).

The SEC’s rules prohibit us from including in filings with the SEC estimates of resources. Our resource estimations include estimates of hydrocarbon quantities for (i) new areas for which we do not have sufficient information to date to classify as proved, probable or even possible reserves and (ii) other areas to take into account the low level of certainty of recovery of the resources. Resource estimates do not take into account the certainty of resource recovery and are therefore not indicative of the expected future recovery and should not be relied upon. Resource estimates might never be recovered and are contingent on exploration success, technical improvements in drilling access, commerciality and other factors.

We have based these forward-looking statements on assumptions and analyses made in light of our experience and our perception of historical trends, current conditions, and expected future developments. However, you should be aware that these forward-looking statements are only our predictions and we cannot guarantee any such outcomes. Future events and actual results may differ materially from the results set forth in or implied in the forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: our ability to obtain financing; our ability to obtain general economic and business conditions; exposure to market risks in our financial instruments; fluctuations in worldwide prices and demand for oil and natural gas; fluctuations in the levels of our oil and natural gas exploration and development activities; our ability to find, acquire and develop oil and gas properties, including the ability to develop the all of our prospects; risks associated with oil and natural gas exploration and development activities; competition for raw materials and customers in the oil and natural gas industry; technological changes and developments in the oil and natural gas industry; legislative and regulatory uncertainties, including proposed changes to federal tax law and climate change legislation, and potential environmental liabilities; our ability to continue as a going concern; and our ability to secure additional capital to fund operations. Additional factors that may affect future results are contained in our filings with the Securities and Exchange Commission (“SEC”) and are available at the SEC’s web site <http://www.sec.gov>. Daybreak Oil and Gas Inc. disclaims any obligation to update and revise statements contained in this document based on new information or otherwise.