

Daybreak Oil and Gas, Inc. Provides Operational Update

SPOKANE, Washington, January 12, 2015 -- Daybreak Oil and Gas, Inc. (OTCQB:DBRM) (“Daybreak” or the “Company”), a Washington corporation, is pleased to provide an operational update to both its Kentucky and California operations.

Kentucky Operations

The Company and its partner, App Energy, LLC, recently completed the four horizontal oil wells drilled in September and October 2014.

The table below represents how these wells are performing to date.

Well Name	Initial Flow Rate	First Sale Date	Flush Production Average	Flush Production	Flush Production Totals-to-Date
	BOPD*		BOPD*	DAYS	Barrels
Lyons H-23	384	12/01/14	114	30 days	3,522
Lyons H-24	369	12/01/14	159	30 days	4,945
Dillon H-22	484	12/19/14	189	12 days	2,276

*Barrels of oil per day

The three wells above are still in flush production stage and are performing as expected.

The Jackson H - 20 well was temporarily produced in November 2014 to relieve pressure on the wellbore in order for completion operations to take place. The well produced a total of 729 barrels in seven days. The Jackson H - 20 has now been completed and should be put on production by late January 2015. This well is expected to produce similar results as the other three wells mentioned above.

California Operations

The Company continues to refine its production operations by adjusting the speed of its pumps for maximum production efficiency of its 20 oil wells. An exploration and development plan is being finalized, of which the Company plans to execute as soon as oil prices stabilize at a higher level.

James F. Westmoreland, President and Chief Executive Officer, commented, “Our new Kentucky wells continue to deliver exceptional results as we refine our drilling, hydraulic fracturing and completion methods to improve results on future wells. As a result of this, in December 2014, Daybreak had net production in California and Kentucky of approximately 4,046 barrels of oil in aggregate, which is a record amount of monthly oil production for us. With regards to the current decline in oil prices, we expect and will demand that our service contractors reduce their prices to us. These reduced future costs, along with new efficiencies that we have experienced in our drilling and completion of wells in both operating areas will allow us to continue our operations during this period of lower oil prices. We plan to be selective in our drilling and we will remain flexible so we can adjust to the ever-changing oil price environment. We will allocate our capital to receive the most return for our investment and continue to use debt wisely. We have good relationships with our vendors and lenders and will continue to work closely with them during this downturn to the benefit of us of all.”

Continuing, Mr. Westmoreland added, “As we go into 2015 we have two good cost-efficient properties that generate positive cash flow even in this low oil price environment. Our California property delivers us low-cost, stable monthly production and our property in Kentucky is allowing us to build a new base of production that will not only deliver a steady base of production, but give us very solid growth from strong initial production rates. We will use the best of what both properties will deliver to manage our business during this oil price downturn.

As in previous downturns, I expect new opportunities to present themselves, for which we will carefully watch and take advantage of, if they fit our criteria of low cost to drill, shallow oil reserves.”

Daybreak Oil and Gas, Inc. is an independent oil and gas company currently engaged in the exploration, development and production of oil and gas in California and Kentucky. The Company is headquartered in Spokane, Washington with an operations office in Friendswood, Texas. Daybreak owns a 3-D seismic survey that encompasses 20,000 acres over 32 square miles with approximately 6,500 acres under lease in the San Joaquin Valley of California. The Company operates production from 20 wells in our East Slopes project area in Kern County, California. Daybreak also owns a 25% working interest in approximately 7,300 acres under lease in the Appalachian Basin in Lawrence County, Kentucky; where, we currently are participating in an on-going horizontal oil well development program at the Twin Bottoms field.

More information about Daybreak Oil and Gas, Inc. can be found at www.daybreakoilandgas.com.

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