

**Daybreak Oil and Gas, Inc. Is Growing Their Small Exploration And Development Company Through The Drill Bit By Developing Their East Slopes Project In Kern County, California**



**Energy  
Oil and Gas  
(DBRM-OTC: BB)**

**James F. Westmoreland  
President and CEO**

**BIO:**

*James F. Westmoreland* was appointed President and Chief Executive Officer and director in October 2008. He also serves as interim principal finance and accounting officer. Prior to that, he had been our Executive Vice President and Chief Financial Officer since April 2008. He also served as the Company's interim Chief Financial Officer from December 2007 to April 2008. From August 2007 to December 2007, he consulted with the Company on various accounting and finance matters. Prior to that time, Mr. Westmoreland was employed in various financial and accounting capacities for The Houston Exploration Company for 21 years, including Vice President, Controller and Corporate Secretary, serving as its Vice President and Chief Accounting Officer from October 1995 until its acquisition by Forest Oil Corporation in June 2007. Mr. Westmoreland has over 30 years of experience in oil and gas accounting, finance, corporate compliance and governance, both in the public and private sector. He earned his bachelor of

business administration degree in accounting from the University of Houston.

**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 Kern County, California. Daybreak has over 22,000 acres under lease and a seismic option on an additional 14,000 acres.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Westmoreland, what is your vision for Daybreak Oil and Gas?

**Mr. Westmoreland:** What we are trying to do is take a small exploration and development company and grow it through the drill bit by developing our East Slopes Project out in Kern County, California. With the sale of our Gilbertown Field in Alabama, we now operate totally in Kern County, California. We are trying to create value through the drill bit. We have proved reserves, production facilities in place, development wells to be drilled, and we have had exploration success. This shows that our plans are working.

**CEOCFO:** What is special about your project?

**Mr. Westmoreland:** There are three things that are special about our East Slopes Project. First, we have the leases. We acquired these leases back in 2005 and 2006. We own and operate about 22,000 acres in Kern County near the Mount Poso Field, which has produced close to 300 million barrels of oil, so it is a big field. Secondly, we have seismic data. We acquired the seismic across the field back in 2008 and we have inter-

preted the data; and lastly, we have the infrastructure in place to produce and sell our oil. We have 8 to 10 exploration projects left to go to fully develop our acreage, and we have the technical expertise to operate it. We are a small company with six employees, but all of them are specialized in the fields they are working. We get it all done just with a small group of people.

**CEOCFO:** What is it you like about that area and these particular projects?

**Mr. Westmoreland:** We are surrounded by some of the biggest oil fields in California, such as Mount Poso and Kern River. There is oil all around us and as far as I am concerned, when there is oil around you, it is a good place to be.

**CEOCFO:** What is happening on the East Slopes Project today?

**Mr. Westmoreland:** At our East Slopes Project we have just successfully finished drilling two development wells; the Bear#3 well and the Bear #4 well. We just put them on production a couple of weeks ago. We are producing oil out of nine wells, and we have a production facility to handle the heavy oil that is produced out there. Heavy oil takes special handling to get to market, so we have all those facilities in place, we also have electrical power running through the field. That was a major event, because we are out in the middle of nowhere basically, where there were no facilities at all. The good news is our operating costs have been lowered significantly as a result of getting all the proper infrastructure in place.

**CEOCFO:** What percentage of ownership do you have in your projects?

**Mr. Westmoreland:** We own 25% and 37.5% interest, depending upon which lease we are on. Our partners include Chevron, along with a private company and a couple of individuals in Austin, Texas.

**CEO CFO:** What is going to happen in the next year?

**Mr. Westmoreland:** In the next year we plan to drill approximately nine wells out there, six of those will probably be exploratory wells. Over the next couple of months, we will be drilling another development well at our Bear Discovery, and we plan to drill two exploration wells this summer just north of the Bear location. We are following a fault system to the north, which traps oil against it. We are just following that fault north using our seismic data that we acquired a couple of years ago. We have good indications from the seismic data that we will have several discoveries to the north of the Bear. So, in the next few months we plan on drilling three more wells, two of which will be exploration wells.

**CEO CFO:** What is the financial picture like for the company?

**Mr. Westmoreland:** Back in February we raised approximately \$600 thousand through a 12% subordinated notes offering, with a five-year term. We are work-

ing towards achieving positive cash flow for the company going through our production, and we are probably 75% there. We have just sold another property that the company acquired back in 2007, the Gilbertown Field in Alabama. We sold that property recently and collected about \$400 thousand there. We spent the last couple of years monetizing non-strategic assets and getting the cash from that to

**We have a lot of things that many companies of our size in this industry don't have. We have leases, we have the seismic data, and we have the infrastructure in place. We are also drilling development wells. We have done the hard part already, so we have taken a lot the risk out of this deal. So all we need to do now is develop the acreage. That, I think gives us a heads-up over a lot of other companies our size where most of them have just the leases or just the seismic data or no infrastructure. We have already done all that and it is in place and ready to go and there is nothing but upside from there.**

**- James F. Westmoreland**

develop our East Slopes property out in Kern County, California.

**CEO CFO:** What is your two-minute take on the current oil energy situation?

**Mr. Westmoreland:** Oil, unlike natural gas, has a real good future right now. We are still importing the majority of the oil the United States uses every year; I don't see that changing anytime soon. It is reasonably priced. We are getting about \$75-

\$80 a barrel depending on the day out there. I think the consumer can stand that price; gasoline is between \$2.50 and \$3.00 a gallon. So I think that is a reasonable price, and that is what is going to back the oil price up. The demand for oil will continue as long as gasoline and oil products stay in this price range. I don't think there is going to be any change in the demand for oil at this price level. The long and short of it is Daybreak can achieve positive cash flow from that oil price and create value for its shareholders.

**CEO CFO:** Why should potential investors choose Daybreak Oil and Gas out of the crowd?

**Mr. Westmoreland:** We have a lot of things that many companies of our size in this industry don't have. We have leases, we have the seismic data, and we have the infrastructure in place. We are also drilling development wells. We have done the hard part already, so we have taken a lot the risk out of this deal. So all we need to do now is develop the acreage. That, I think gives us a heads-up over a lot of other companies our size where most of them have just the leases or just the seismic data or no infrastructure. We have already done all that and it is in place and ready to go and there is nothing but upside from there.

