

ROYALE REPORT

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Second Quarter 2010

LOW HYDRO SEEN BOOSTING GAS DEMAND IN WEST

Drought in the Pacific Northwest and a subsequent drain on hydroelectric generation is likely to increase reliance on gas along the West Coast this year, according to analysts.

More than half of the power in the Northwest is produced by hydro, largely from generators on the Columbia River in Oregon and Washington and the Snake River in Washington.

Lower hydro output could leave the Northwest in need of gas-fired power generation to make up the difference. But Northwest Intermountain Power Producers Executive Director Robert Kahn believes the impact will be *greater on the Southwest since Northwest utilities export electricity to California, the largest West Coast demand center.*

Those exports have become a major component of power supply in the state and, when hydro exports dip, it can quickly and materially affect electricity prices in California.

That added volatility could make gas-fired generation more attractive to utilities this year, particularly since *California utilities are not allowed to import power from coal-fired plants.* This has resulted in a national premium price for PG&E city-gate on the Intercontinental Exchange, [where Royale Energy delivers its natural gas]

“It’s safe to say that hydro deficits will [result in] higher gas use,” Jefferies & Company Managing Director Subash Chandra agreed. “Every little bit from hydro helps.”

The NWRFC, a division of the National Oceanic & Atmospheric Administration, predicted Wednesday in its official report that April-September Columbia River flows would be 65% of normal at The Dalles Dam on the border between Washington and Oregon. The forecast was one percentage point below the previous regression forecast, issued April 1.

King said that the 2009-2010 water year is shaping up to be one of the driest on record, but water levels still are higher than 2001 and 1977, the two driest years on

record. This year is “dry, but not bone dry,” he said.

In a research note it issued earlier this week, investment bank Simmons & Company International said that 2010 is presenting some challenges for natural gas fundamentals, but low Pacific Northwest water levels — and *lower hydro generation — have the potential to help turn things around as power markets turn to gas-fired power generation.*

“We expect natural gas fundamentals to be labored in 2010,” the note said. “To be sure, there are pockets of improving prosperity with regard to demand driven by the prospect of coal-to-gas switching and low water levels” in the Pacific Northwest.

Gas Daily

April 9, 2010

2010 Roth IRA Conversion

If you are a high-income investor saving for retirement there is an attractive opportunity available to you in 2010. Taxpayers will be able to take advantage of the Tax Increase Prevention Reconciliation Act of 2005 (TIPRA) which has provisions that allow for the conversion of your existing traditional IRA accounts to Roth accounts.

But when converting a traditional IRA to a Roth IRA—you need to pay Federal Taxes on that portion of the conversion which you haven’t already paid taxes on...

ROYALE ENERGY MIGHT HAVE THE ROTH CONVERSION SOLUTION FOR YOU!

Due to the Tax Reform Act of 1986, qualified investors who participate in a Direct Working Interest with Royale can receive these tax advantages. Royale Energy’s drilling projects are 100% tax deductible.

Roth IRA conversions are considered a taxable event, so an investment with Royale can help off-set your taxes.

CONTACT ROYALE ENERGY AT 800.447.8505

It’s always best to make an informed decision and if you ever have a question about what’s right in your particular circumstance, always consult with a tax professional before deciding to take advantage of the rule change in 2010.



INDUSTRY NEWS

U.S. Natural-Gas Data Overstated

The Wall St. Journal

The gas-production statistics are known as the 914 report.

The Energy Department is preparing to make sweeping revisions to its U.S. natural-gas production data after finding it has been overstating output, raising new questions about the government's collection of energy information.



Wylie #1
Producing: 12/17/09

The monthly gas-production data, known as the 914 report, is used by the industry and analysts as the guide for everything from making capital investments to predicting future natural-gas prices and stock recommendations.

But the Energy Information Administration, the statistical unit of the Energy Department, has uncovered a fundamental problem in the way it collects the data from producers across the country—it surveys only large producers and extrapolates its findings across the industry. That means it doesn't reflect swings in production from hundreds of smaller producers.

The EIA plans to change its methodology this month, resulting in "significant" downward revisions in some areas, according to Gary Long, the acting director of the 914 form, who led the review.

The Wall Street Journal last month reported that the EIA also has key deficiencies in its collection of market-moving oil-inventory data that has caused swings in its survey.

The EIA has been overtaken by advances in technology, oil-shale finds and changes in the industry and has been less able to account for smaller companies that increase or decrease production. Some commodities analysts and gas producers, have long suspected that the EIA has overstated domestic natural-gas output—a factor they argue has helped push prices to seven-year lows in 2009.

"The model we have now overestimates" production, Mr. Long said in an interview. He said the review was prompted by the EIA noticing aberrations in some states. "We saw some numbers we didn't like in Texas; we thought they were a little too high," Mr. Long said. The EIA data showed that gas supply rose 4% in 2009, despite a 60% decline in onshore gas rigs. The conflicting numbers have perplexed analysts. Once the discrepancy between supply and demand is corrected, gas prices will be pushed "much higher," he says.

By Carolyn Cui

Royale Goddard 7-1
Producing: 4/15/10



ROYALE ENERGY FIELD REPORT

Goddard 7-1 - The Goddard 7-1 was successfully connected to pipeline on April 15, 2010. The well was put online producing 530 Mcf per day. The Company plans to gradually increase the wells production to 1,000 Mcf/day during its introductory stages. The Goddard 7-1 has the potential to produce over 400% more than its current flow rate based on the recorded initial flow rate taken on September 23, 2009 of 2,450 Mcf/day.

Wylie #1 - The Wylie #1 well was connected to pipeline on December 17, 2009 producing at an initial flow rate of 1050 Mcf.

With the end of winter, Royale plans to resume its drilling operations.

EUREKA ONE

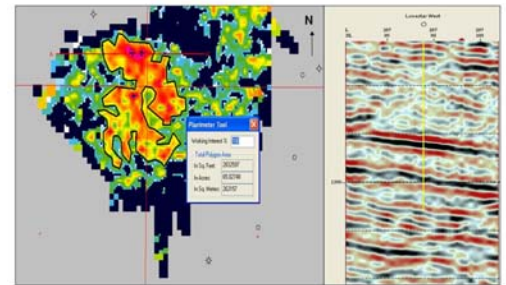
PRIVATE PLACEMENT MEMORANDUM



Now Funding

Royale Energy is offering to qualified investors a direct participation in the drilling of exploration and development wells in California. An investment will consist of a direct working interest participation in four oil and natural gas wells. In addition, the project may offer Federal and State income tax deductions to qualified individuals.

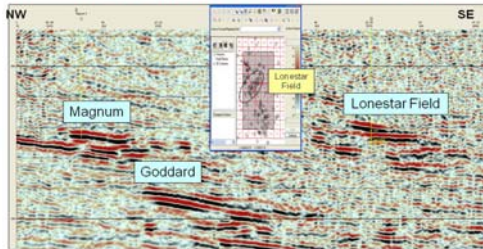
Royale LoneStar West Well- Situated in the Sacramento basin, west of the LoneStar East discovery and east of Royale's recent Goddard #7-1 well, Royale LoneStar West well will test a separate gas accumulation that is stratigraphically similar to, yet structurally higher than the productive interval of the LoneStar East discovery that tested at a rate of 1.4 million cubic ft of gas a day.



2d seismic display from Royale's 3 d volume in the N. Arbuckle

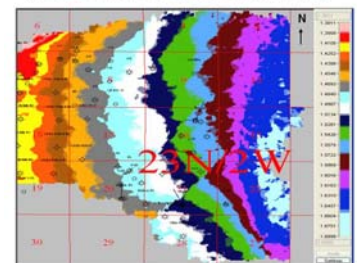
Royale Magnum Well- This prospect

has recently been identified and mapped using Royale Energy's 3D seismic coverage in Colusa County, of the Sacramento Basin. Magnum is located just over half a mile to the northwest from the recent Royale Goddard #7-1 well. The prospect has two target sand intervals at approximately 4,700 ft and 4,900 ft, both located in the Forbes formation. Sands at both target levels are younger than those encountered at Goddard #7-1 but older than those that produced over 4.00 billion cubic feet of gas at the Royale LoneStar Field.



Royale Ashbury Well- This prospect is located in Victor Ranch area, in Tehama County of Northern Sacramento Basin. During this decade, Victor Ranch has been a prolific gas producer for Royale Energy, with gross production totaling over 17.1 billion cubic ft of gas. This gas was produced from 19 wells drilled and operated by Royale Energy.

Most production comes from fault traps



This is not an offer to sell or a solicitation of an offer to buy. Offers are only made through the Private Placement Memorandum.

TheStreet.com ~ Williams' Move sets up Natural Gas Play

I've been pounding the tables about natural gas. The story just won't go away. While oil continues to trade close to \$80 and pushes over \$200 billion of American money overseas, natural gas remains a completely domestic, cheap and plentiful fuel. We have the technology now to extract it in ways that were lacking only a few short years ago, making the huge deposits in shale in the Barnett and Marcellus regions available. The U.S. has become the Saudi Arabia of natural gas.

While Washington has so far managed to ignore creating a consolidated energy policy with natural gas as its cornerstone, the logic of it will not be denied forever. Whether I scream at the top of my lungs or not, or even if Washington never gets on the natural gas bandwagon, the shift from traditional crude oil to natural gas is inevitable. It will begin with trucks and buses, and move rapidly to cars as is already happening in China.

And we have recommended all three sectors related to natural gas for 2010 -- transport and storage, oil service and E&P companies -- and seen outsized moves from all three. The trend is clearly in place, and you just can't have enough exposure to natural gas this year. **I believe it is the energy opportunity of the year, if not the decade.**

By Daniel Dicker, Sr. Contributor

January 20, 2010





Energy Summit ~ Reagan Ranch

June 17-19, 2010

The Royale Energy family cordially invites you to this exclusive offer to join them for their 2nd Semi-Annual West Coast Energy Summit in Santa Barbara, California. From conference meetings at the beautiful Four Seasons Biltmore Hotel to an exclusive private tour of the Reagan Ranch (which served as the President's "Western White House"), you won't want to miss it. The Reagan Ranch is not open to the public and can only be visited by "Special Invitation." This year's event features notable speakers, including a special Reagan Roundtable luncheon with best-selling author and American conservative, Michelle Malkin. Come enjoy this informative and inspirational elite weekend getaway, while getting an in-depth view of the exciting exploration, drilling and operational process of natural gas in America today.

This all-inclusive getaway is LIMITED to 30 people at the cost of \$995 individual/\$1,195 per couple (excluding travel to and from Santa Barbara). Reservations will be accepted on a first-come, first-serve basis. For more information or to reserve your space, please contact **Royale Energy at (800) 447.8505 or events@royl.com**

The cost will be reimbursed by Royale Energy with a new signed investment agreement.

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Royale Energy, Inc. is one of California's leading natural gas exploration and production companies. Royale is publicly-traded as a NASDAQ national market stock under the symbol ROYL. The company leads the industry in development of natural gas reserves in California's Sacramento and San Joaquin basins.



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