

ROYALE REPORT

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U.S. Natural Gas Price Forecasts Are Up

U.S. supply has been on a steady decline while consumption continues to increase. Current production and shrinking Canadian imports added up to a 6% decline in available U.S. gas supplies during 2003, stated Lehman Brothers analyst Thomas Driscoll. And he expects another 1% drop in 2004.

The Energy Information Administration (EIA) has projected gas demand in the United States is expected to increase by about 2.4% in 2004 due to the combination of weather, economic growth and an overall increase in fuel oil prices relative to gas. The increase in oil prices raised the price bar at which natural gas and alternative fuels can compete.

Natural gas is in scarce supply. Crude-oil production is winding down and the last nuclear power plant was ordered in July 1973. There are no economical alternative fuels that exist. The shortage of natural gas, the invisible resource used to heat homes, fuel kitchen appliances and generate electricity, has triggered a sharp rise in price. The EIA raised 2004 composite spot price forecast to \$5.48/Mcf, up from their prediction of \$5.19/Mcf in March.

"Today's tight natural gas markets have been a long time coming, and distant futures prices suggest that we are not apt to return to earlier periods of relative abundance and low prices anytime soon," stated Alan Greenspan. He noted that the markets are anticipating natural gas prices of more than \$6 a thousand cubic feet well into next year largely because, unlike oil, the U.S. market is unable to draw on world supplies easily, but, "more importantly, the six-year futures price has doubled," he said.

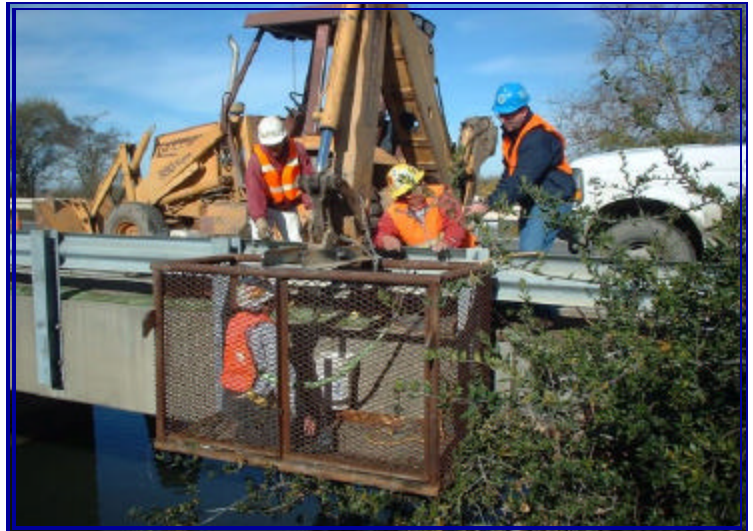
Many have speculated that LNG is the answer while others have realized that LNG is not going to get us over the hump in the next three to four years. One of the main factors is that proposed new terminals will take several years to be approved and constructed.

Yet, in every crisis there is an opportunity. The oil and gas sector provided the greatest increase in year-over-year earnings last year compared to all other sectors, according to First Call, a global financial research company. Analyst Jeffery Mobley predicts that exploration and production company revenues are expected to remain strong over the next several years.

Higher revenues for exploration companies will result in more capital to drill an increasing number of wells. Higher prices will provide additional capital to the industry.

The Blossom #1 Well

The Blossom #1 well began production January 16, 2004. A 14,000 ft. easement was obtained from the Nature Conservancy. It consisted of hanging the line on a bridge over the South Fork of the Mokelumme River and cutting through two levees. The total pipeline from the wellhead to the connection point is over 22,000 ft.



Royale Energy Increases Quarterly Stock Dividend to 6.5%

SAN DIEGO---March 23, 2004 Royale Energy announces the decision by its board of directors to increase the quarterly stock dividend from the current 3.75% to 6.5% payable to shareholders of record on June 30, September 30, December 31, 2004 and March 31, 2005.

As a result of the company's 2003 Revenue increasing by 87% to more than \$23 million, its cash flow increased to 1.77 dollars per share, and earnings increasing to .79 cents per share, the board voted to increase the stock dividend to reflect the growth of the company.

The final quarterly payment of the 2003 3.75% dividends will be paid to shareholders of record March 31, 2004. The ex-dividend date will be March 29, 2004.



FIELD UPDATES

Texas Panhandle

The Eula Clay well has been completed and put into production at a rate of 1,000 MCF per day and 50 barrels of oil per day.

Texas Gulf Coast

The Harriman #1 located in Matagorda County Texas was drilled to a total depth of 9,500 ft. targeting the Upper, Middle and Lower Frio formations.

The well was put online September 20, 2003 and has been producing from the first zone only, and is producing 3,000 MCF per day and 40 barrels of oil.

The Sartwelle is flowing at a rate of 4,000 MCF per day and 48 barrels of oil per day.

Trull B-1 has been drilled to a total depth of 9,500 ft. and completed in the lower sands at a rate of 1,500 MCF per day and 24 barrels of oil per day.

Additional gas zones are present in the main targets of the Melbourne and Frio formations.



Trull B-2 is producing 2,000 MCF per day from the Upper Frio formation per day.

The shut-in **Harkin well** nearby the Trull B-2 was recently acquired and completed in a shallow by passed natural gas zone in the Upper Frio formation. The well is producing 1,000 MCF

Wilson well has just been drilled to a total depth of 9,500 ft. and logs indicate several productive natural zones are present in the Melbourne and Frio.



California- Sacramento Basin

The Crossroads #4 will begin drilling operations the first week of May.

A total of six wells will be drilled in the summer and fall.

Raven

Andrus Island

Duck Slough

Afton #1

Kingfisher

Afton #2

EIA report predicts crude oil will cost \$51 a barrel by 2025

Crude oil prices will increase gradually and reach \$51 a barrel by 2025 due to inflation and rising energy needs in developing nations, according to an Energy Department projection.

The report by the DOE's Energy Information Administration said strong economic growth in Asia will drive world energy prices in the next decade. The developing world's demand for energy will nearly double by 2025 with oil, coal, and natural gas leading the way.

The report projects global energy demand to grow about 54 percent by 2025. But China, India, and other developing countries will see a 91 percent jump as these countries continue rapid industrial development, said the EIA.

OPEC producers are expected to still be the major oil suppliers in 2025, the report said. They now account for about a third of the oil being pumped.

Crude oil prices have been steadily rising since the late 1990s. The price of light crude closed at \$36.70 a barrel April 13 in trading on the New York Mercantile Exchange.

The sharpest jump in demand will come from China and other Asian countries. Demand in the United States also will continue to increase. "The United States, China and the rest of developing Asia account for nearly 60 percent of the projected growth in world oil use," the EIA said.

-The Associated Press

Analyst: Prices could spike on power demand

Increased demand for gas-fired power generation should keep U.S. gas prices at or near current levels through at least 2005, Denver-based analyst Stifel Nicolaus said Friday. "We would also not be surprised to see significant natural gas price spikes this summer," it said.

The analyst raised its 2004 gas price forecast to \$5.45/Mcf, up from its earlier projection of \$5.15/Mcf. For 2005, Stifel Nicolaus predicted an average price of \$5.20, compared with its prior estimate of \$4.75/Mcf.

"The infrastructure of the North American gas market is in the midst of significant change," Stifel Nicolaus said in a report. "Natural gas-fired power generation was down by 12% during the summer of 2003 vs. 2002. ... However, with excess capacity from other alternatives limited, we believe natural gas-fired generation will be the marginal source this summer, with consumption related to electricity demand up as much as 3-4 Bcf/day."

That, combined with declining gas supplies, "should support gas prices over the next six months," Stifel Nicolaus said.

The extra gas demand should slacken the pace of storage injections this year, the report said. In 2003, average injection rates from May through October averaged 12.7 Bcf/day, "well above average injection rates of 9.9 Bcf/day," the analyst said. But if U.S. production drops at an expected 2% rate, "we estimate that there will be between 3.5 Bcf/day and 4 Bcf/day less gas available for injection" compared with last summer, which would produce a below-average refill rate of 9 Bcf/day in 2004.

"Yes, storage will refill ... but we believe that the market will remain tight and it will take \$5/Mcfe-plus natural gas to get there," the analyst said.

Stifel Nicolaus maintained that options for fuel-switching "remain limited, with crude oil prices expected to remain high this summer." The analyst also raised its estimate for crude oil prices to \$31.25/barrel in 2004 from an earlier estimate of \$27.75/barrel, and raised its 2005 crude oil price forecast to \$28/barrel from \$24/barrel.

"While OPEC has not yet fully implemented its production cuts, and an OPEC collapse remains a risk to our thesis, excess OPEC capacity continues to dwindle and discipline thus far has been good enough to support prices," the analyst said.

Source: Platts Gas Daily, April 19, 2004



Royale Energy Presents New Corporate Overview DVD

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or email
chanda@royl.com



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.



Visit us on the Internet at: www.royl.com

Royale Energy Report
7676 Hazard Center Drive, Suite 1500
San Diego, CA 92108
Phone: (619) 881-2800, (800) 447-8505
Facsimile: (619) 881-2899

Mailing Address Line 1
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