

# ROYALE REPORT

*Published by Royale Energy, Inc.*

*Third Quarter 2018*

## **The Positive Effects of the New Tax Cuts and Jobs Act for Oil and Gas Investors**

The Tax Cuts and Jobs Acts (TCJA) took effect for the tax year of 2018 and the impact of the new bill has lowered some tax rates and either limited or eliminated many of the deductions that were previously available. For Royale investors the 100% deduction for Intangible Drilling Costs that have been in the tax code since the early 1900s were preserved and the expensing of equipment for the Tangible wellhead equipment has been enhanced and accelerated to 100% deduction the first year, allowing Royale's drilling investors to deduct all of their investment immediately instead of amortizing over several years.

### **Here's why:**

#### **The Option to Expense Intangible Drilling Costs (IDCs) is Retained**

This century-old tax provision is the labor and supplies incidentals that are necessary for the drilling and preparation of the well for production of oil and natural gas. This tax provision is critical in helping capital-intensive industries like Oil and Natural Gas to raise money necessary to keep drilling. IDCs are approximately 80% of the total cost of the investment.

#### **Full Expensing of Tangible Drilling Costs (TDCs)**

This provision is a significant benefit because the oil and gas industry is very capital intensive.

Tangible drilling costs, lease and well equipment, pipelines, and all other tangible personal property can be fully deducted when acquired and placed in service.

TDCs are approximately 20% of the total cost of the investment and now 100 percent deductible in the year of investment.

Utilizing these deductions can result in up to half of your drilling investment being funded by your tax savings.

#### **Percentage Depletion Deduction is Retained**

Depletion applies when production begins, and it allows the owner of a producing oil and or natural gas well to recover their investment through tax deductions over the period in which oil and or gas is produced. The depletion deduction is 15% of gross income for the life of the well.

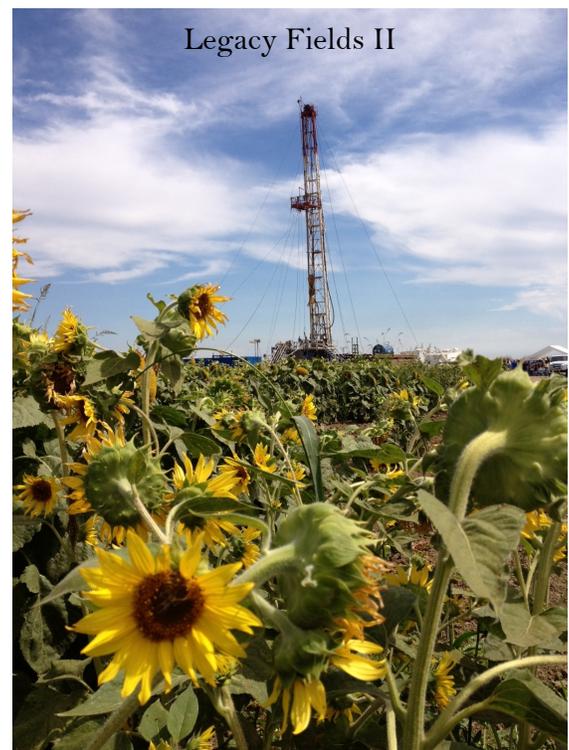
## **ROYALE ACQUIRES MORE OIL IN THE PERMIAN BASIN AND CALIFORNIA**

**June 28, 2018 -- San Diego, California – Royale Energy, Inc., (OTCQB : ROYL)** announced today it has entered into a Letter of Intent with a major company to purchase it's non-operated interests in Permian Basin and California oil fields.

The acquisition will add approximately 190 barrels of oil per day (BOED) net and 3 million barrels of oil equivalent in reserves for an acquisition price of \$12 million dollars. Royale will be acquiring the total proved reserves for \$4.00 per barrel of oil equivalent in the ground (this includes both oil and natural gas reserves). The reserves are oil weighted at 91 percent and include the Jameson North field in Texas where 3D seismic has identified proved but undeveloped locations (PUDs) that can be drilled. The California field is situated near the Sansinena oil field where Royale has a joint venture with RMX Resources.

Royale is pleased to announce this key execution of its growth plans. These assets combined with the successful funding of the new joint venture development company, RMX Resources, will continue to propel Royale growth.

*Full Press release can be found at [www.ROYL.com](http://www.ROYL.com)*





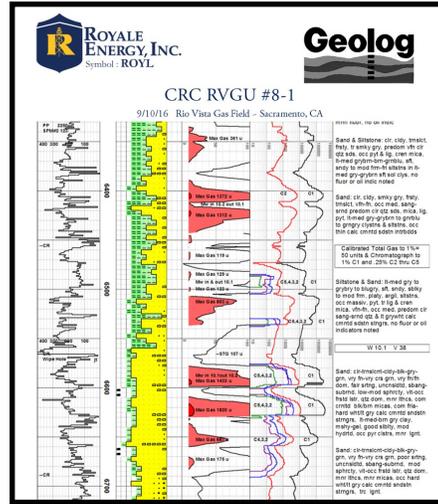
# WELL LOGS OF THE 5 SUCCESSFUL WELLS I

Royale entered into a joint venture agreement with California Resources (CRC), an Occidental spin-off company, in October 2015. We agreed to develop 1,300 acres in their Sacramento Basin properties. In June of 2016, we expanded the agreement. The expanded arrangement covers approximately 1,900 acres in the prolific Rio Vista Gas Field. Discovered in 1936, Rio Vista is the largest natural gas field in California producing over 3.5 trillion cubic ft. of natural gas from multiple sands and has an estimated 500 billion cubic ft. of natural gas remaining in place.

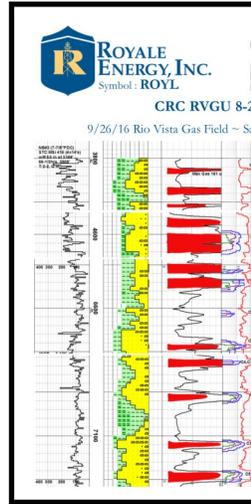
We have drilled 5 wells in the Rio Vista field and have been very successful targeting the Martinez and the McCormack formations. These wells have multiple formations with high pressures.

Our Sansinena oil field was acquired from CRC in June 2016. We drilled the first Sansinena well in August 2017, and encountered 320 ft. of oil in Sansinena #1 with an initial flow rate of over 350 barrels of oil per day.

We are currently funding 2 more wells in Rio Vista and one in the Sansinena oil fields.

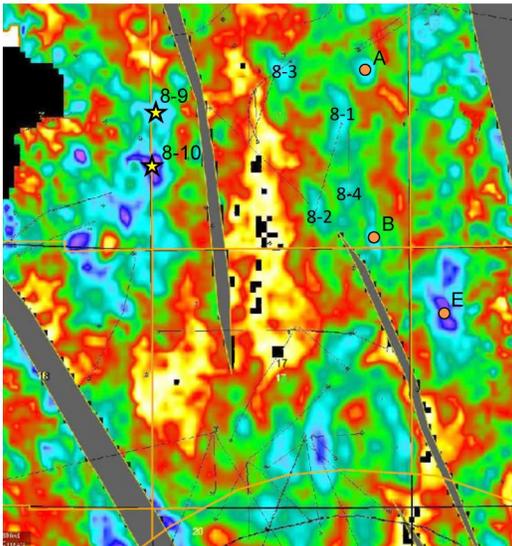


Name: CRC RVGU #8-1  
Drilled: September 2016  
\*IPR: 2,100 MCF per day  
\*Initial Production Rate



Name: CRC RVGU #8-2  
Drilled: October 2016  
IPR: 500 MCF per day

Amplitude Map

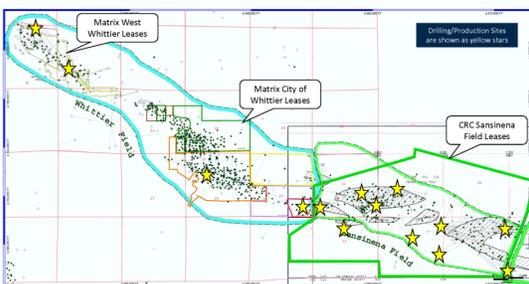


## NOW FUNDING PRIVATE PLACEMENT

Royale Energy is offering, to accredited investors, a direct participation in the drilling of a direct working interest in three natural gas and oil wells. In addition, the pro

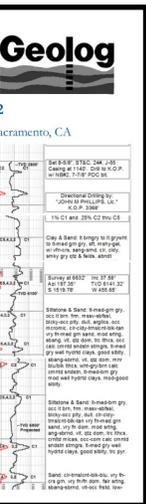
**Royale CRC RVGU 8-9 and 8-10-** The Rio Vista gas field was discovered in 1936 and became the largest natural gas field in California. The field has produced 3,666,897,000 MCF thru 2009, from more than 15 different gas zones between depths of approximately 2,500 to 10,000 ft. The field produced 6,823,647 MCF in 2015 from approximately 200 wells. A 3D seismic survey acquired in 1996 greatly improved the efficiency of field development. The Royale and California Resources Corp. (CRC) joint venture has an 80% success rate in this field.

**Sansinena #4 -** The Sansinena field is located in the NE portion of the Los Angeles Basin along the southern edge of the Puente Hills and is located immediately east of the Whittier Field also along the Whittier fault trend.

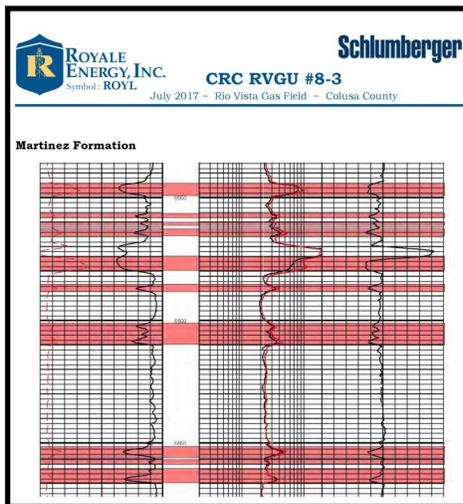


Oil and gas are the dominant pore-filling fluids in Sansinena over more than 4,500 vertical feet, with a prolific hydrocarbon sourcing system. Miocene reservoirs shallower than 6,000-7,000 ft. depth were charged by oil and gas migrating out of deeper, mature Miocene source beds to the south and west in deeper parts of the basin moving laterally and upward along faults. The average well has an initial production rate (IP) of 183 BOPD and initial hyperbolic decline becoming exponential with a yearly rate of 2.3%. The result

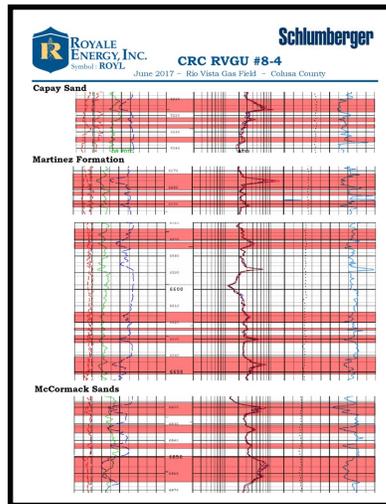
# DRILLED WITH CRC



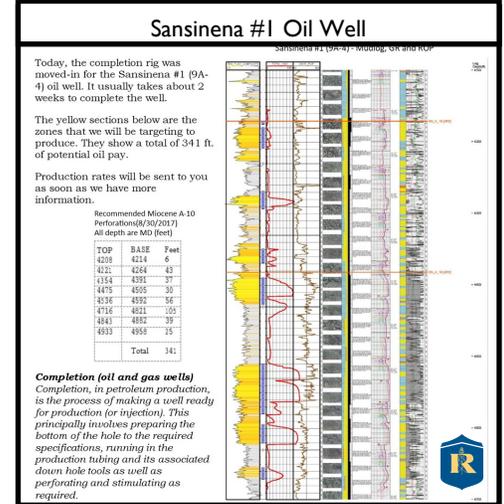
U #8-2  
016  
day



Name: CRC RVGU #8-3  
Drilled: August 2017  
IPR: 2,600 MCF per day



Name: CRC RVGU #8-4  
Drilled: August 2017  
IPR: 2,100 MCF per day



Name: Sansinena #1 Oil Well  
Drilled: August 2017  
IPR: 350 Barrels of Oil per day

## DRILLING - LEGACY FIELDS II PRIVATE PLACEMENT MEMORANDUM

Drilling of three exploration and development wells. An investment will consist of three units. This project offers Federal and State income tax deductions to qualified individuals.

This investment is an EUR (estimated ultimate recovery) of 478,000 barrels of oil and a life of 54 years.

The Sansinena development in the LA Basin is a great compliment to Royale's successful natural gas development in prolific Rio Vista gas field. Together, these two projects provide a diversified asset base that can be developed into long term cash flow for Royale's drilling investors and shareholders."

Your investment will get a full tax deduction for the 2018 tax year and can be deducted from your ordinary income, capital gains, IRA and Pension Fund withdrawals and Roth IRA conversions. Many of our investors that make IRA withdrawals have offset that taxable event with the drilling deductions and at the same time create a monthly income stream that is also partially non-taxable. The depletion allowance grants 15% of the gross income to be tax deductible for the life of the well.

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



### Example of Tax Savings

1 Unit Drilling Investment:	\$100,000
Less: Federal Tax Deduction:	\$100,000
(at Maximum Tax Rate 35%) Refund	\$35,000
Less: State Tax Refund:	\$10,000
(where applicable) (State Tax 10%)	
<b>Investment after Federal &amp; State Tax Refund:</b>	<b>\$55,000</b>



# SEPT 12-14, 2018 REAGAN RANCH ENERGY SUMMIT

Hotel Californian, Santa Barbara



Rancho del Cielo - Ranch in the Sky



You are cordially invited to join us for a very exclusive event! The 2018 ROYALE ENERGY SUMMIT CONFERENCE will be held September 12-14 at the highly acclaimed, all-new *Hotel Californian* in beautiful Santa Barbara, California. Hotel Californian is the new center of the Santa Barbara waterfront, featuring luxurious rooms and panoramic views of the coastline and the Santa Ynez mountains.

In addition to hearing special industry guest speakers, we will also visit the downtown Reagan Ranch Center and tour the 40<sup>th</sup> President's beloved *Rancho del Cielo*. Michael Reagan will also be joining us at our welcoming reception and dinner.

Ronald Reagan's mountaintop retreat was the "Western White House" for nearly one year of his historic presidency. Visitors have included Queen Elizabeth and Mikhail Gorbachev.

Preserved by Young America's Foundation, the Ranch is not open to the general public for regular tours, but our Royale Summit will include a private visit. There will be a VIP tour of the home, tack room and barn as well as the recently restored Secret Service headquarters. We will also enjoy a gourmet western BBQ at *Rancho del Cielo* featuring a special speaker.

This all-inclusive summit will be limited to 50 people at a cost of \$995 individual / \$1,195 per couple which includes 2 nights at Hotel Californian, welcome reception with Michael Reagan, VIP tour of President Reagan's "Western White House" along with a BBQ lunch at the ranch with a close friend of President Reagan, industry exports and much more.

For more information or to reserve your spot, please contact Royale at (800) 447-8505 or email [events@royl.com](mailto:events@royl.com)

## Royale Energy Report

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Trading Symbol: ROYL



Please use the same panel as our 02/17  
newsletter and switch the panels. Use last  
Newsletter as an example