

# ROYALE REPORT

*Published by Royale Energy*

*Fourth Quarter 2018*



**R**oyale has some exciting developments to report.

After drilling 5 commercially productive wells at Rio Vista, California Resources (CRC) and Royale Energy announced on October 22<sup>nd</sup>, that they have entered into a new expanded agreement to drill 30 wells throughout the entire Rio Vista field, the largest gas field in California. This new agreement will provide Royale and its investors up to three years to drill any of the multiple stacked formations in this prolific and historic property.

Royale now has access to a larger area, including shallower and deeper formations with more reserves to drill with lower risk infill development wells with significantly larger gas reserves that were not available under the prior agreement. Royale’s ability to drill low risk undeveloped reserves has increased substantially in a prolific underdeveloped field. The Rio Vista field was discovered in 1936 and has produced approximately 4 trillion cubic ft. from more than 15 stacked gas reservoirs.

Another major announcement was the acquisition and rights to drill developmental oil wells in the Permian Basin in Texas. As a result of the divestiture of oil and gas assets by General Electric (GE), Royale and its investors will be drilling 3D seismically generated Proved Underdeveloped (PUD) locations in the North Jameson oil field.

Three different formations of stacked oil pay that include Strawn Sands, the Odom formation and the deeper Ellenberger are productive long-life oil reserves in this field.

To begin the development of these two assets, the Legacy Fields III is being funded and will drill two wells in the expanded agreement area of the Rio Vista field and one oil well in the North Jameson oil field.

The positive effects of the new Tax Cuts and Jobs Act for oil and gas investors that was passed at the end of last year took effect for the tax year 2018. For Royale investors the 100% deduction for Intangible Drilling Costs (IDC) 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 for the first year allowing you to deduct all of your investment immediately against ordinary income, capital gains, IRA and 401K retirement withdrawals, instead of amortizing over several years. This can result in up to 50% of your investment being made using dollars that you would otherwise payout to Federal and State taxes and 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 wells.

To receive 100% deduction of your total investment for 2018, your investment must be postmarked on or before December 31, 2018.

### Example of Tax Savings

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

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**Investment after Federal & State Tax Refund: \$55,000**



# THE TAX CUTS & JOB ACTS

## 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.

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.

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.

To receive 100% deduction of your total investment for 2018, your investment must be postmarked on or before Dec 31, 2018

## Forbes This Weeks Amazing Rally in Natural Gas Prices Will Continue Into 2019

The winter of 2016-2017 was an unseasonably mild one, with NYC heating degree days 20% below normal in December and January. That lack of seasonal demand exerted further downward pressure on already pressured prices, and producers cut back on 2017 and 2018 capital expenditures. Fast forward to 2018 and the EIA's data show that electric power producers have dramatically increased natural gas consumption to increase 10%. The most recent data point for electric utility natural gas consumption for August showed a scorching 16% year on year increase in consumption from electricity producers, and July's year on year growth was actually even higher than August's figure.

So the seeds of this week's surge in natural gas prices were planted last year and the benefits for those long natural gas will last into 2019.  
Nov 14, 2018



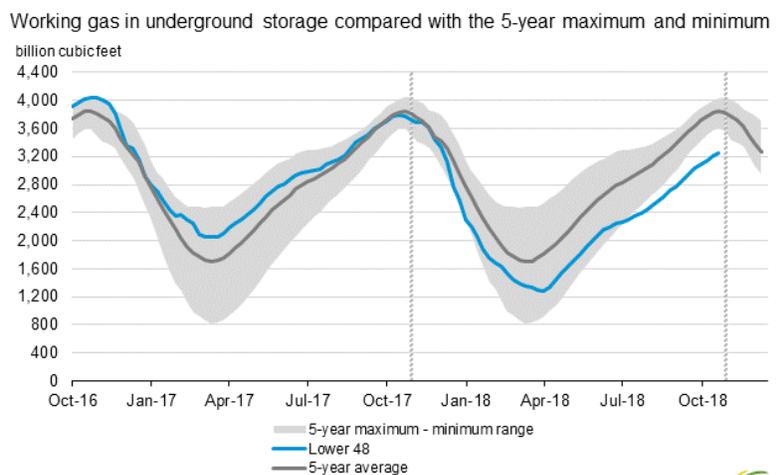
### Natural Gas Supply Is At A 13 Year Low

Government data last week showed the amount of natural gas in US Storage facilities are 15% below the year ago levels and 16% below the five year average.

This is the lowest amount of gas in storage during the first week of November since 2003.

Some analysts say US natural gas exports are adding to the storage shortfall.

The US exports natural gas in the form of liquified natural gas on ships, as well as via pipeline to Mexico.



Source: U.S. Energy Information Administration





# LEGACY FIELDS III PRIVATE PLACEMENT MEMORANDUM

## \*Now Funding\*

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

### ROYALE CRC RVGU

The Rio Vista gas field was discovered in 1936 and is the largest non-associated gas field in California. The field has produced approximately 4 trillion cubic ft. from more than 15 stacked gas reservoirs and retains an estimated reserve of approximately 330 billion cubic feet.

A 3D seismic survey greatly improved the efficiency of field development.

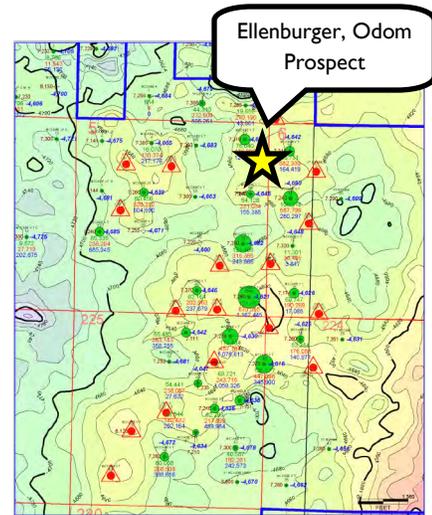
Royale proposes to drill two development wells that target Eocene and/or Upper Cretaceous-age strata in the Eastern part of the field plus the Capay, Midland Sand and Mokelumne River formations in each well. Target depths are between 4,000 and 7,200 ft. Initial production rates are expected to range from 1,500 MCF to 2,000 MCF per day, with potential for wells with reserves of several billion cubic ft. (BCF).



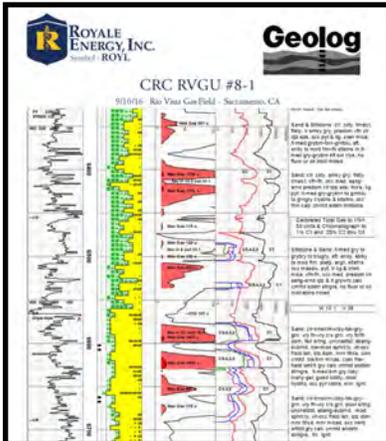
### JAMESON OIL PROSPECT

As a result of General Electric Finance (GE) divestiture of assets, Royale Energy has obtained the rights to drill up to 20 Proved Undeveloped (PUD's) locations defined by a 3D seismic survey conducted by GE in the North Jameson oil field in the Permian Basin, Texas.

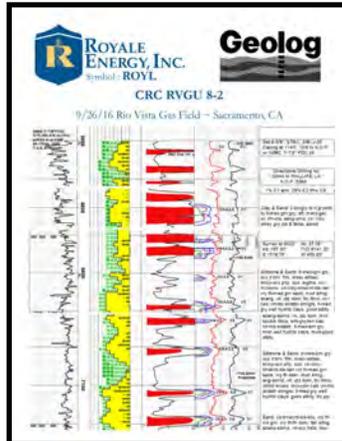
Located in the Permian Basin, near Colorado City, Texas, the North Jameson Field is an extension of the Jameson Field, developed by shell in the early 1950's as a Strawn Sand and reef play.



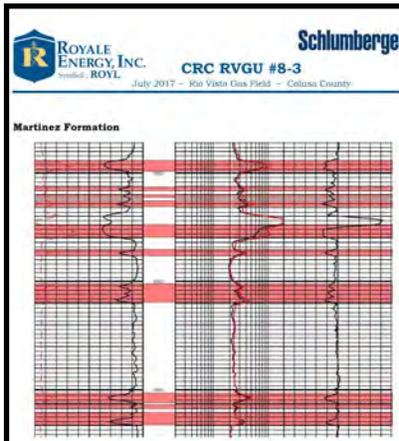
*This is not an offer to sell or a solicitation of an offer to buy. Offers are only made through the Private Placement Memorandum.*



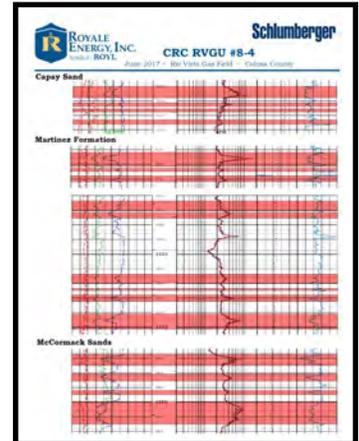
Name: CRC RVGU #8-1  
Drilled: September 2016  
\*IPR: 2,100 MCF per day  
\*Initial Production Rate



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



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



## 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 its 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.

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

## ROYALE SIGNS JOINT VENTURE TO EXPAND DRILLING IN RIO VISTA FIELD

**October 22, 2018 -- San Diego, California – Royale Energy, Inc., (OTCQB : ROYL)** announces it has entered into a joint venture with California Resources Corporation (NYSE: CRC) to drill 30 wells throughout the Rio Vista field, the largest dry gas field in California. The agreement will provide Royale up to three years to drill to any of the multiple, stacked productive formations in this prolific and historic property. The Rio Vista field was discovered in 1936 and has produced approximately 4 trillion cubic ft. from more than 15 stacked gas reservoirs.

This new agreement expands the joint venture development area to the entire Rio Vista field. Royale will now have access to a larger area and more reservoirs to drill lower risk infill development wells, with significantly larger reserves, than had been available under the prior agreement. Royale's ability to drill low risk undeveloped reserves has increased by an order of magnitude in a prolific, underdeveloped gas field.

The joint venture will lead to multiple years of drilling activity at Rio Vista at a time of upward trending natural gas prices due to declining natural gas inventories nationwide.