

# ROYALE REPORT



## BUILD A MONTHLY INCOME STREAM USING MONEY YOU WOULD OTHERWISE PAYOUT TO FEDERAL AND STATE TAXES

### TOP 3 REASONS TO INVEST

**100% FEDERAL AND STATE TAX DEDUCTION AGAINST ALL INCOME AND IRA WITHDRAWALS**

**JOINT VENTURE WITH MAJOR PRODUCER**

**MONTHLY INCOME**

It is now the end of the year when most investors are looking at their income and tax liabilities and starting to look for ways to limit damages from high taxes.

Royale Energy offers accredited investors a direct participation in the drilling of California and Mid-Continent exploration and developmental Oil and Natural Gas wells.

Also many people are retiring and making Required Minimum Distributions from their retirement accounts.

An investment in Royale's project can offset the taxes owed on their withdrawals and create a monthly income to help supplement their other income in retirement. The investment can also be used to offset tax liabilities created by ordinary income, capital gains and dividend distributions.

### Tax Advantages

#### 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 are now 100% 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.

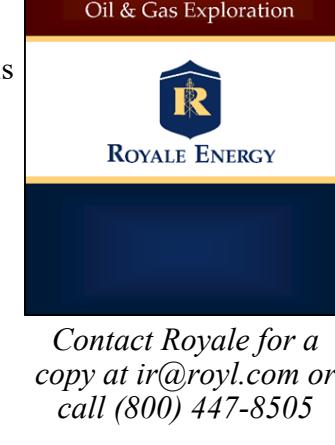
#### **Percentage Depletion Deduction is Retained**

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.

These tax advantages are in part a "subsidy" offered by the United States Government to encourage the exploration/development of oil and natural gas reserves within the United States. These tax advantages apply to individuals, partnerships and corporations.

#### **Drilling/Exploration Philosophy**

- Royale Energy maintains an average 50% ownership in each well, so that Company interests are aligned with investors.
- Royale Energy explores, drills and recovers oil/natural gas as efficiently and cost-effectively as possible.
- Royale Energy generates as high a return on investment as possible from oil and natural gas sales.
- Royale Energy's commitment to the utilization of state-of-the-art technology increases success rates and maximizes reserve quantities.
- Royale Energy's low overhead structure and lack of administrative fees provides alignment of interests for all investors.



Contact Royale for a copy at [ir@royl.com](mailto:ir@royl.com) or call (800) 447-8505

<b>Example of Tax Savings</b>	
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%)	
 Investment after Federal & State Tax Refund:	 <b>\$55,000</b>

#### **Royale and California Resources Corp, an Occidental spinoff company, enter into a Joint Venture in Rio Vista**

After drilling 5 commercially productive wells at Rio Vista, California Resources (CRC) and Royale Energy announced on October 22, 2018 that they 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 provided 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 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.

Royale has drilled 11 productive wells in Rio Vista in 2018 and 2019. Royale has also recently drilled 3 high rate (200-300 barrels per day) oil wells in the Sansinena oil field formally owned by Occidental Petroleum.

#### Monthly Income

Once the wells are drilled, investors receive monthly income on the production of their wells. Monthly revenue is distributed at the end of each month.

Royale Energy continues to strive for the highest return on investment from its oil and natural gas reserves, and to create innovative opportunities for qualified investors. Since Royale Energy owns, on average, 50% of the interest being offered to investors, they seek to achieve the highest success rates, best economic returns, and to minimize risk for both itself and their investor partners.

We invite you to ask questions so you may learn more about Royale Energy and how this investment may benefit you.

**For more information please call:**

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