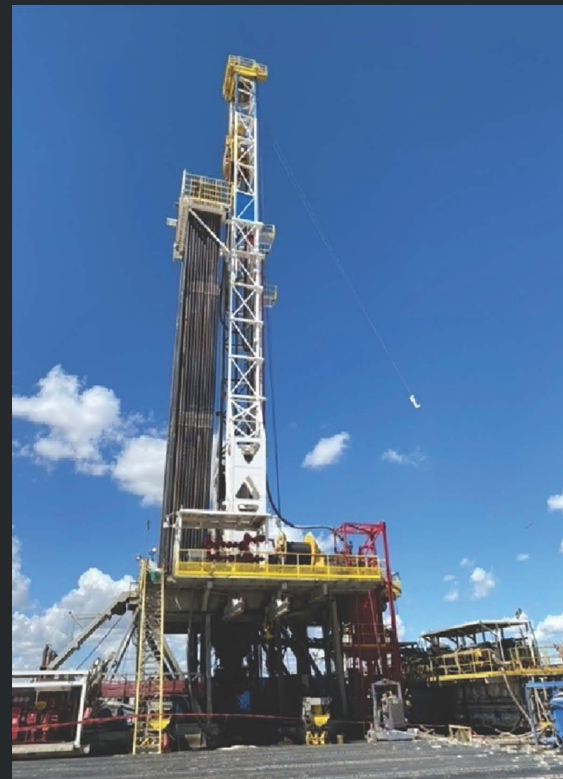




Anna 1H



Abby 1H



**ROYALE ENERGY**

**BLACK GOLD DEVELOPMENT IV**



**PRIVATE PLACEMENT MEMORANDUM**



---

## Confidential Private Placement Memorandum

---



**ROYALE ENERGY**

---

## **Black Gold Development IV**

ROYALE ENERGY | 1530 Hilton Head Rd, Suite 205 El Cajon, CA 92019

Telephone: 619-383-6600 | Toll Free 800-447-8505 | Website: [www.royl.com](http://www.royl.com)

---



# MEMORANDUM

---

## Royale Energy

---

THE SECURITIES HEREBY OFFERED HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE “SECURITIES ACT”), OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “COMMISSION”) OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM (“MEMORANDUM”). ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SECURITIES ARE OFFERED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED IN SECTIONS 3(B) AND 4(2) OF THAT ACT AND REGULATIONS PROMULGATED THEREUNDER. THE SECURITIES ARE ONLY BEING OFFERED TO PROSPECTIVE PURCHASERS WHO ARE “ACCREDITED INVESTORS” AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT OF 1933. FURTHERMORE, THESE SECURITIES ARE BEING SOLD PURSUANT TO EXEMPTIONS FROM REGISTRATION UNDER APPLICABLE SECURITIES LAWS AND REGULATIONS OF THE VARIOUS STATES IN WHICH THEY ARE BEING OFFERED. CONSEQUENTLY, NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES LAW ADMINISTRATOR HAS PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR THE ADEQUACY OF THIS MEMORANDUM.

NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFER AND SALE OF THE UNITS DESCRIBED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

THESE SECURITIES ARE SPECULATIVE AND INVOLVE CERTAIN RISKS. SEE “RISK FACTORS.” THERE IS NO PUBLIC MARKET FOR THE UNITS.

---

The Date of this Memorandum is June 5, 2023

---



## TABLE OF CONTENTS

<b>INTRODUCTION - ROYALE ENERGY .....</b>	<b>4</b>
<b>HISTORY.....</b>	<b>4</b>
<b>COMPANY STRATEGY .....</b>	<b>4</b>
<b>OPERATIONAL / DEVELOPMENT STRATEGY.....</b>	<b>5</b>
<b>INVESTMENT CRITERIA.....</b>	<b>5</b>
<b>DIRECTORS / MANAGEMENT .....</b>	<b>6</b>
<b>OFFERING SUMMARY .....</b>	<b>9</b>
<b>DRILLING LOCATION .....</b>	<b>9</b>
<b>PURCHASE PRICE .....</b>	<b>11</b>
<b>TECHNICAL DESCRIPTION PRADERA FUEGO OIL FIELD .....</b>	<b>13</b>
<b>PRADERA FUEGO OIL WELLS .....</b>	<b>15</b>
<b>OFFERING .....</b>	<b>33</b>
<b>ISSUER .....</b>	<b>33</b>
<b>UNITS OFFERED .....</b>	<b>33</b>
<b>USE OF PROCEEDS .....</b>	<b>33</b>
<b>RISK FACTORS .....</b>	<b>34</b>
<b>TERMS OF THE OFFERING .....</b>	<b>35</b>
<b>PROPOSED OPERATIONS.....</b>	<b>37</b>
<b>ASSESSMENTS AND ADDITIONAL OPERATIONS.....</b>	<b>38</b>
<b>CONFLICTS OF INTEREST.....</b>	<b>39</b>
<b>COMPETITION, MARKETS, AND REGULATIONS.....</b>	<b>39</b>
<b>PARTICIPATION IN COSTS AND REVENUES .....</b>	<b>40</b>
<b>REPORTS AND RECORDS.....</b>	<b>40</b>
<b>TURNKEY OIL AND GAS DRILLING AGREEMENT .....</b>	<b>41</b>





# INTRODUCTION

---

## Royale Energy

---

### **HISTORY**

Royale Energy (the Company) explores, develops, produces and markets a diverse portfolio of oil and natural gas assets throughout the United States and provides investment opportunities in oil and natural gas drilling projects. The Company was initially organized in 1986 and is now incorporated under the laws of the State of Delaware. The Company owns and operates wells in California, Texas, Louisiana and Utah and markets oil and natural gas to its customers.

The Company has maintained a commitment to providing investment products, which seek to minimize investor risk while providing maximum return. The Company has accomplished this through the use of joint investment in multiple wells.

The Company currently owns interest in over 70 producing oil and natural gas wells. Royale Energy is focused on building prospect inventory through acquisitions of property, 3D seismic surveys and field development over some of the most prolific natural gas and oil producing fields.

The Company continually evaluates potential acquisitions, screens drilling prospects for economic and technical merit, and meets all filing requirements to local, state and federal agencies. In selecting opportunities for development, management employs a conservative philosophy of operations. The use of recognized independent engineering, geological and technical consulting firms enhances the chance of success in an industry known for its high risk.

Royale Energy provides direct management of company properties as needed to monitor and maintain a high level of productivity. Royale's policy is to place personnel at each well on a daily basis for on-site inspection and attention to production. This commitment to consistent, direct, hands-on monitoring of activities at the well-head insures the highest possible performance from each property. Royale's staff includes highly trained and skilled individuals, motivated to work for a company with a solid track record and commitment to excellence. Royale nominates and sells natural gas and oil to its customers and end users. These have included companies such as Shell Energy North America, Duke, and B P.

On March 1, 2018, Royale merged with Matrix Oil Management Corporation. This strategic transaction created a high-growth focused operating company with an extremely experienced technical team. Royale and Matrix both have been successful low-cost finders of oil and natural gas in West Texas.

### **COMPANY STRATEGY**

Because of the rapidly increasing demand for energy by newly developing economies, it is the view of some experts that those who own oil and natural gas reserves that are commercially productive today are in an excellent position to earn a good return on their investments. Those companies that can maintain low overhead costs and are profitable in today's market will have good hunting in the U.S.

The objective of the Company is to contribute to American energy independence through the profitable development, operation and marketing of oil and natural gas wells within established fields in the continental U.S.

The Company accomplishes its goals through the following means:

1. The application of sound business principles in the successful development and operation of oil and natural gas wells.
  2. Utilization of stringent screening procedures in the identification and evaluation of properties for development.
-

- 
3. The involvement of investors who wish to participate in one or more of the investment vehicles created by the Company and its subsidiaries for asset acquisition and development.
  4. The implementation of policies and procedures to optimize the operations and gas marketing activities of producing wells.

The Company's short-term strategy is to develop and produce existing discoveries that can be brought on stream quickly, in order to generate early cash flow and increase production and reserve levels. The Company continues its policy of purchasing producing wells that have additional well locations for development. By focusing its exploration operations on development drilling, the probability of securing commercially productive wells is higher. This policy, coupled with the Investors' participation in multiple wells, has been the cornerstone of each of the Company's investment offerings.

The Company performed an evaluation of different producing basins in the U.S. and compared statistics on exploration well success, development well success, well cost, reserves per well and initial production rates. Assessments of operating expenses, basin development potential, environmental risks, availability of leases and market concerns were also made. The results of this review are used to guide future expansion efforts of the Company. The Permian Basin in Texas is considered to be compatible with the Company's goals.

**Acquisitions** - The Company is continually evaluating acquisitions in proven oil and natural gas basins. The Company may purchase these properties for development inventory to be drilled, produced and marketed.

**Economic Evaluation** - Acquisitions in targeted basins are evaluated by performing a current cash flow analysis. Third party consultants verify conservative production forecasts.

## **OPERATIONAL / DEVELOPMENT STRATEGY**

Royale typically acts as the operator or manager of wells in which it has an interest. This strategy has allowed the Company to reduce its operating costs and improve production. The Company continually pursues less expensive and more efficient methods of operating. The Company employs creativity and the latest technology to minimize cost and maximize profitability from its operated properties.

Development opportunities are pursued aggressively, where appropriate, to maximize the present value profit of the properties.

The rigorous process of acquisition evaluation, along with product price and operating cost assumptions, are used to evaluate the prospects. Prospects are then ranked on the basis of: a) future net revenues; b) profit to investment ratio; and c) internal rate of return.

## **INVESTMENT CRITERIA**

Drilling prospects are subjected to a screening process similar to that of producing property acquisitions. These include development potential, operatorship, exploratory areas, and evaluation methods.

**Development Potential** - Fields are sought with additional development potential outside the existing production. These typically will require three or four wells to develop.

**Operatorship** - When appropriate, the Company will attempt to assume the largest interest and operatorship of exploration projects.

**Exploratory Areas** - As in acquisition of producing properties, exploration areas have been identified by our Basin Evaluation report. The basins targeted for exploration are largely the same as those targeted for acquisitions.

**Economic Factors** - The Company uses a then current, risked cash flow analysis technique for evaluating its exploration prospects.

---

## **DIRECTORS / MANAGEMENT**

Royale Energy's management team consists of individuals who have worked closely together for many years. Each individual has been trained to be at all times aware of the short- and long-term goals of the Company. Although the areas of responsibility are sharply defined, each has the knowledge required to manage a particular area.

The principle occupations and relevant affiliations of the principal officers and directors of Royale Energy are as follows:

<b>John Sullivan</b>	Chairman of the Board of Directors
<b>Jonathan Gregory</b>	Vice-Chairman of the Board of Directors
<b>Johnny Jordan</b>	Chief Executive Officer, President, Chief Operating Officer and Member of the Board of Directors
<b>Jeff Kerns</b>	Member of the Board of Directors
<b>Chris Parada</b>	Member of the Board of Directors
<b>Stephen Hosmer</b>	Member of the Board of Directors
<b>Donald Hosmer</b>	Co-Founder
<b>Ronald Lipnick</b>	Interim Chief Financial Officer

The Board of Directors elects the officers annually. Directors serve for one year and must be re-elected each year by the shareholders. The business experience of each director, executive officer and key employee is summarized below.

### **JOHN SULLIVAN | CHAIRMAN OF THE BOARD**

Mr. Sullivan is a Principal of LTD Consulting Services LLC, which provides consulting and management services to private and public companies in the U.S. and S.E. Asia. Previously, he held the position of Sr. Director at MMI International, a privately held, global supplier to the Data Storage, Aerospace and Oil and Gas industries. In this role, he oversaw the sales and global operations for the Precision Forming Group, a division of MMI, with \$250M in annual sales.

### **JONATHAN GREGORY | VICE-CHAIRMAN OF THE BOARD OF DIRECTORS**

Mr. Gregory brings over 25 years of experience in the oil and gas industry, including a 25-year banking career where he focused primarily on reserve-based lending to both private and public oil and gas companies. Most recently, he served as chief financial officer for a private independent exploration and production company, where he was actively engaged in raising equity and in acquisitions and development activities.

Mr. Gregory is a member of Houston Producers Forum, Houston Energy Finance Group, and ADAM Houston Energy Network. He is a Co-Founder of Bread of Life, Inc., a non-profit organization committed to empowering homeless Houstonians. Mr. Gregory also serves as a director of Small Steps Nurturing Center, a non-profit Christian organization that provides early childhood education for economically at-risk children in inner-city Houston, Texas.

### **JOHNNY JORDAN | CHIEF EXECUTIVE OFFICER, PRESIDENT, CHIEF OPERATING OFFICER AND DIRECTOR**

Mr. Jordan is a petroleum engineer with expertise in acquisitions, field economics and reserves analysis, bank negotiations, reservoir and field operations, and multi-team interaction. Mr. Jordan served on the Board of Directors of Matrix and currently serves on RMX Resources and CIPA Board of Directors. Mr. Jordan has been active in the oil and gas industry since 1980 beginning as a floor hand on a well service rig. He has held various staff and supervisory positions for Exxon, Mack Energy, Enron Oil and Gas and Venoco Corporation. He co-founded Matrix Oil Corporation in 1999 and served as its president until its merger with Royale in 2018. Mr. Jordan is a member of the Society of Petroleum Engineers, American Petroleum Institute and the Texas Independent Producers and Royalty Owners Association. Mr. Jordan has managed acquisition evaluations in many of the oil and gas producing basins in the U.S. Mr. Jordan received a B.S. in Chemical Engineering from the University of Oklahoma in 1983.

---

## **JEFF KERNS | DIRECTOR**

Mr. Kerns was a founding partner of Matrix Oil Corp. in 1999, which merged with Royale Energy nearly 20 years later in 2018. As a director and officer of Matrix, Mr. Kerns participated in growing the Company. Mr. Kerns was involved in all aspects of the Company's growth, but his primary focus was day to day operations. Mr. Kerns started in oil and gas business over 40 years ago as a roughneck in North Dakota working on rigs that drilled through the now famous Bakken Shale heading for deeper targets. Prior to Matrix Oil Corp. Mr. Kerns held various staff and supervisory positions with Mobil Oil Corp (now ExxonMobil) and Venoco, Inc., a small independent company headquartered in Santa Barbara, CA. He also gained broad skills working for many years as a consultant in the oil and gas business. Mr. Kerns is a registered Professional Engineer in the state of CA. He received a BS degree from Stanford University in 1979. He served as an elected public official for 10 years on the local sanitary district board of directors as well as serving as president of a local Rotary International club and president of the San Joaquin Chapter of the American Petroleum Institute and has maintained a long term affiliation with SPE.

## **CHRIS PARADA | DIRECTOR**

Mr. Parada currently serves as Vice President of Business Development for Finergy Capital/EnRes Resources, an alternative investment fund providing structured capital solutions to upstream oil and gas companies. Additionally, Mr. Parada serves as President of Counter Point Consulting LLC, which he founded in 2019. Counterpoint provides a variety of consulting and contract CFO/VP Finance services to upstream and midstream clients. Prior to joining Finergy/EnRes, Mr. Parada served as Managing Director at Ten Oaks Energy Advisors from April 2020 to February 2021. Prior to 2019, Mr. Parada was an energy banker for over 25 years, most recently, as Managing Director - Head of Energy Finance for Legacy Texas Bank (2013-2019) where he started and built the Energy Finance team for Legacy Texas. While at Legacy Texas, Mr. Parada and the team successfully closed over \$1.5 billion in transactions while he managed a team of seven professionals. Over the course of his career in banking, Mr. Parada has originated, led and syndicated several direct and multibank credit facilities of \$10-\$500 million. Mr. Parada graduated in 1993 from Texas A&M University with a B.B.A. in Finance.

## **STEPHEN M. HOSMER | DIRECTOR**

Mr. Hosmer joined Royale Energy, Inc. in 1988. He has over 34 years of oil and gas experience and has helped the company develop oil and natural gas fields in Texas, Louisiana, Oklahoma, Utah, California and Alaska. He serves on the board of Venture Expeditions and Exile International. He holds a Masters of Business Administration degree from Pepperdine University.

## **DONALD H. HOSMER | CO-FOUNDER**

In October 1985 Mr. Hosmer, along with his father and brothers, founded Royale Petroleum Corporation. In October 1986, Royale Energy, Inc. (the Company) was incorporated in order to combine the function of the prior two companies in preparation for the involvement of outside shareholders for the first time. Mr. Hosmer was responsible for the funding of over \$150,000,000 in oil and natural gas drilling. He has successfully directed the funding of 200 oil and natural gas wells throughout the major geologic basins in the US. Under his leadership Royale became the largest independent natural gas producer in California.

## **RONALD LIPNICK | INTERIM CHIEF FINANCIAL OFFICER**

Mr. Lipnick has been with The Company since May 1993 and has been the Controller since February 1994. He is responsible for the Company's accounting operations from daily accounting activities and general ledger reconciliation to the preparation of financial statements for the Company's SEC quarterly 10Q and year-end 10K filings. He also works closely with Royale's certified public accountants during their yearly audits. Ron has more than 35 years of experience in the accounting field. He has a Bachelor of Science in Accounting and a Master of Business Administration in Finance from Oral Roberts University, Tulsa, Oklahoma.

NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFER AND SALE OF THE UNITS DESCRIBED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.



# Factors

---

## Black Gold Development IV

---

### **RISKS**

This investment is speculative and involves substantial risk for investors. [See Risk Factors].

### **CONFIDENTIALITY**

The information contained in this offering memorandum has been prepared and is being furnished by the company for the confidential use of prospective purchasers in connection with this offering. Any reproduction or distribution of this offering memorandum, in whole or in part, is prohibited.

### **OFFERS TO PURCHASE**

An offer to purchase the units described herein shall be made only through an authorized securities broker-dealer or authorized employees of the company.



# BLACK GOLD DEVELOPMENT IV

---

## Offering

---

---

### **Black Gold Development IV Offering Summary**

Royale Energy is offering to Accredited Investors a direct participation in the drilling of infill developmental wells. An investment will consist of a direct working interest participation in three oil wells.

---

### **Drilling Location**

#### **Pradera Fuego Project**

Located in the Permian Basin (West of the city of Odessa, Ector County, Texas), the Pradera Fuego Project is drilling horizontal wells in the Mississippian section of the Barnett Shale.

Royale Energy has been able to acquire an interest in the Pradera Fuego Project operated by Ares Energy. Pradera Fuego is a 20,200 acre shale play in the heart of one of the most active horizontal shale plays in the Permian Basin.

The Permian Basin produces 4.1 million barrels of oil per day contributing 38% of total U.S. supply. The Royale/Ares acreage position is surrounded by four of the largest shale operators in Texas, that includes XTO, the subsidiary of Exxon, with 6,500 acres to our North, OXY USA with 53,000 acres adjacent to us on the East, where Continental Resources is also developing 12,160 acres, and Diamondback Energy developing 31,000 acres adjacent to us on the South (see page 14).

In Black Gold Development IV, we will be drilling three horizontal wells in the same area as the Sweet Melissa 1H and the Anna 1H. The Sweet Melissa has produced 186,418 barrels of oil and 334,430 MCF from March to April (14 months). The Anna 1 H has produced over 73,000 barrels of oil and 117,000 MCF from February to April (3 months). The Abby Unit 1H is awaiting completion but looks as good or better than the Sweet Melissa 1H prior to completion.

**Currently 75 wells have been drilled in this play without a single dry hole.**





# BLACK GOLD DEVELOPMENT IV

---

## Offering

---

---

Located in the Permian Basin (West of the city of Odessa, Ector County, Texas), the Pradera Fuego Project is drilling horizontal wells in the Mississippian section of the Barnett Shale.

### **Pradera Fuego - #6, #7 and #8**

These wells will be positioned in the same area as the Sweet Melissa 1H, Anna 1H, Abby Unit 1H, Terry Unit 1H, Becky 1H and Ava Unit 1H. Based on seismic and subsurface analysis, we will be drilling these wells where we expect similar performances as the Sweet Melissa 1H and the Anna 1H. The well paths will be in the same formation as the previous wells using 3D seismic interpretation.

The Sweet Melissa 1H had an initial rate of 830 barrels of oil per day and has produced 186,418 barrels and 334,430 MCF from March through April 2023 (14 months).

The Anna 1H had an initial rate of 818 barrels of oil per day and has produced over 73,000 barrels of oil and 117,000 MCF from February through April 2023 (3 months)

The Abby Unit 1H and the Terry Unit 1H have been drilled and are currently awaiting completions. The mud log analysis for the two wells are very similar to the Sweet Melissa 1H and the Anna 1H. We're expecting similar reserve results for both the Abby Unit 1H and the Terry Unit 1H.



# PURCHASE PRICE

## Black Gold Development IV

Each full unit is being offered at the purchase price of \$100,000 per unit with  $\frac{1}{2}$  and  $\frac{1}{4}$  units also available. Each full unit,  $\frac{1}{2}$  unit or  $\frac{1}{4}$  unit will consist of the following:

WELL NAME	WORKING INTEREST
<b>One (1) unit is \$100,000 and consists of the following:</b>	
Royale Energy Pradera Fuego # 6	0.08700%
Royale Energy Pradera Fuego # 7	0.08700%
Royale Energy Pradera Fuego # 8	0.08700%
<b>One Half (1/2) unit is \$50,000 and consists of the following:</b>	
Royale Energy Pradera Fuego # 6	0.04300%
Royale Energy Pradera Fuego # 7	0.04300%
Royale Energy Pradera Fuego # 8	0.04300%
<b>One Quarter (1/4) unit is \$25,000 and consists of the following:</b>	
Royale Energy Pradera Fuego # 6	0.02100%
Royale Energy Pradera Fuego # 7	0.02100%
Royale Energy Pradera Fuego # 8	0.02100%

---

(This page has been left blank intentionally.)



# Black Gold Development IV

## Pradera Fuego Oil Field Permian Basin | Texas

### Technical Description

#### Pradera Fuego Oil Field

Located in the Permian Basin (West of the city of Odessa, Ector County, Texas), the Pradera Fuego Project is drilling horizontal wells in the Mississippian section of the Barnett Shale. In Black Gold IV, we will be drilling three horizontal wells in the same area as the Sweet Melissa 1H well which is one of the best wells in the entire play.

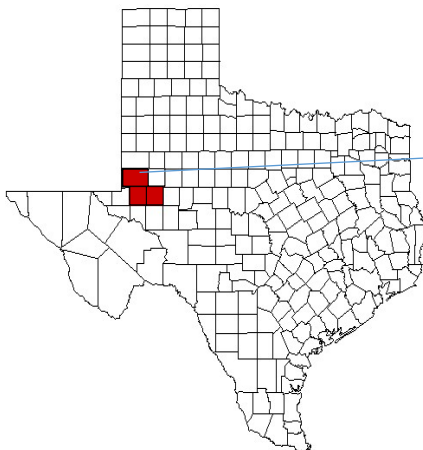
Royale Energy has been able to acquire an interest in the Pradera Fuego Project operated by Ares Energy. Pradera Fuego is a 20,200 acre shale play in the heart of one of the most active horizontal shale plays in the Permian Basin.

The Royale/Ares acreage position is surrounded by four of the largest operators in Texas, that includes XTO, the subsidiary of Exxon, with 6,500 acres to our North, OXY USA with 53,000 acres adjacent to us on the East, where Continental Resources is also developing 12,160 acres, and Diamondback Energy developing 31,000 acres adjacent to us on the South (see page 14).

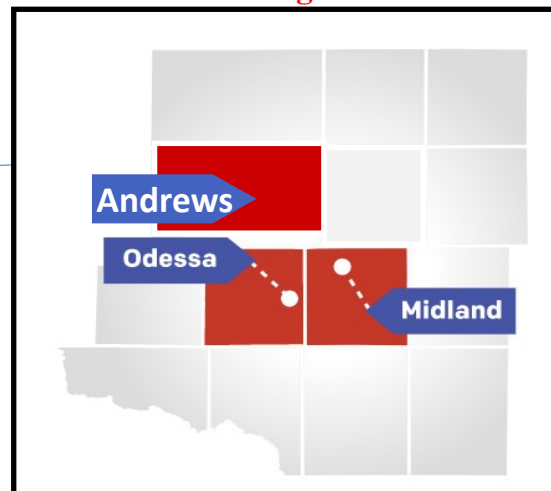
The peak rate for the Sweet Melissa 1H well was 835 barrels of oil and 1,300 MCF per day of natural gas and had a 30 day average production rate of 730 barrels of oil and 1,100 MCF per day of natural gas. Reserve analysis indicates the “Ultimate Recovery” to be 965,000 barrels of oil and 1,750,000 MCF of gas.

The peak rate for the Anna 1H well was 818 barrels of oil and 1,686 MCF per day of natural gas and had a 30 day average production rate of 716 barrels of oil and 1,113 MCF per day of natural gas. Reserve analysis indicates the “Ultimate Recovery” to be 970,000 barrels of oil and 2,100,000 MCF of gas.

At this time, the Sweet Melissa 1H is receiving a \$1.85/bbl premium over WTI for the 42 API gravity oil and an additional premium for its 1,450 MMBTU natural gas.



#### Pradera Fuego Oil Field

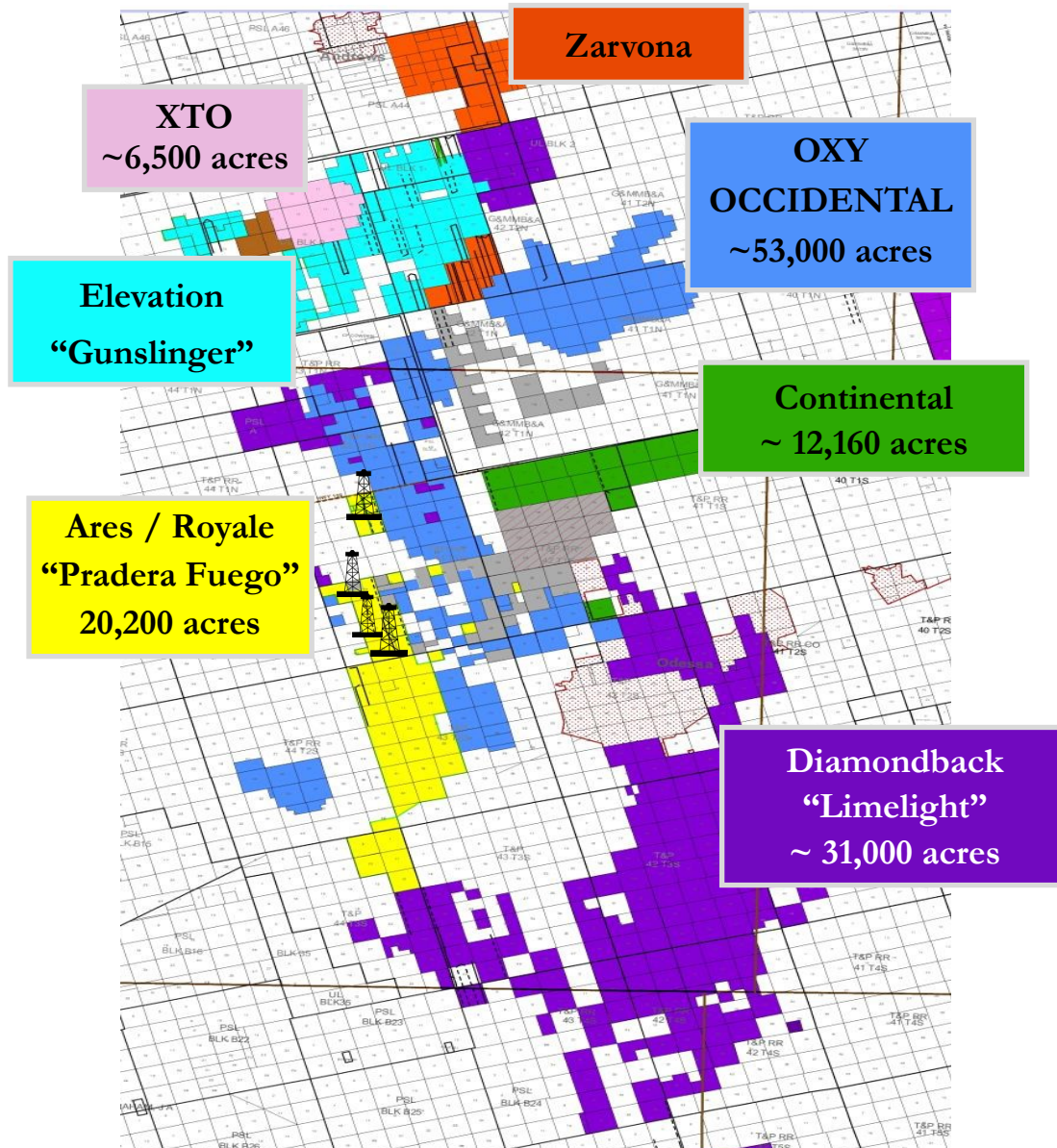




# PRADERA FUEGO FIELD

## Lease Position

- Since 2016, the emergence and progression of the Mississippian play has accelerated in both Andrews & Ector counties (75 horizontal Mississippian wells have been drilled and completed without a single dry hole).
- Two new high resolution, state of the art, 3D seismic shoots sponsored by Oxy, XTO, Diamondback and Chevron have been completed for the Mississippian Barnett shale play area within Andrews and Ector Counties.
- Over 1,100 square mile data acquisition area covers all of Pradera Fuego's acreage position. Seismic analysis indicates substantial thickening of the targeted shale package.





# Black Gold Development IV Prospects

## Pradera Fuego - #6, #7, #8 Permian Basin | Texas

### **Pradera Fuego - #6, #7 and #8**

These wells will be positioned in the same area as the Sweet Melissa 1H, Anna 1H, Abby Unit 1H, Terry Unit 1H, Becky 1H and Ava Unit 1H. Based on seismic and subsurface analysis, we will be drilling these wells where we expect similar performances as the Sweet Melissa 1H and the Anna 1H. The well paths will be in the same formation as the previous wells using 3D seismic interpretation.

The Sweet Melissa 1H had an initial rate of 830 barrels of oil per day and has produced over 186,418 barrels and 334,430 MCF from March through April 2023 (14 months).

The Anna 1H had an initial rate of 818 barrels of oil per day and has produced over 73,000 barrels of oil and 117,000 MCF from February through April 2023 (3 months)

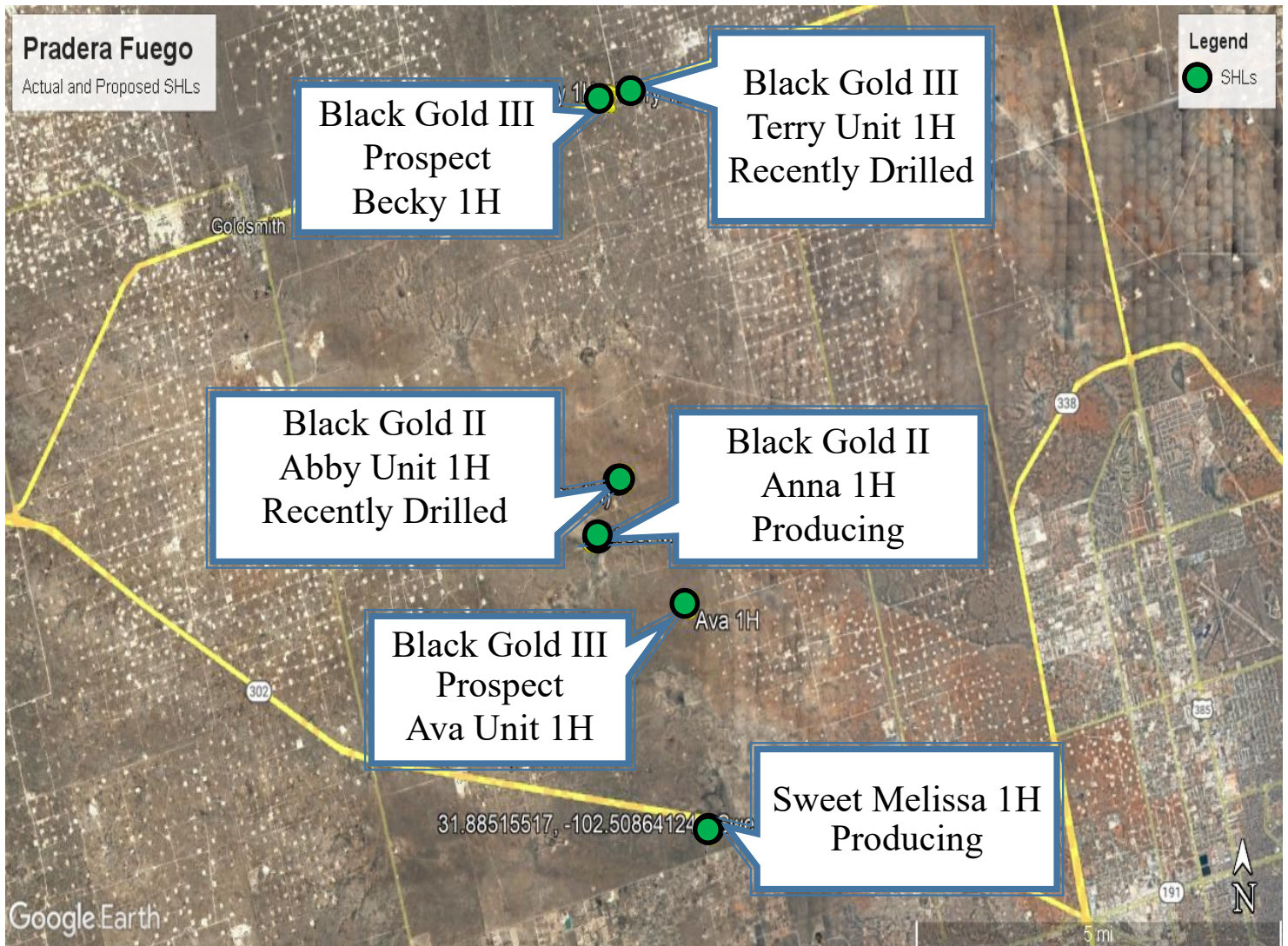
The Abby Unit 1H and the Terry Unit 1H have been drilled and are currently awaiting completions. The mud log analysis for these two wells are very similar to Sweet Melissa 1H and the Anna 1H. We are expecting similar reserves results as the Sweet Melissa 1H and the Anna 1H.





# PRADERA FUEGO FIELD

Arial View - Pradera Fuego Well Location



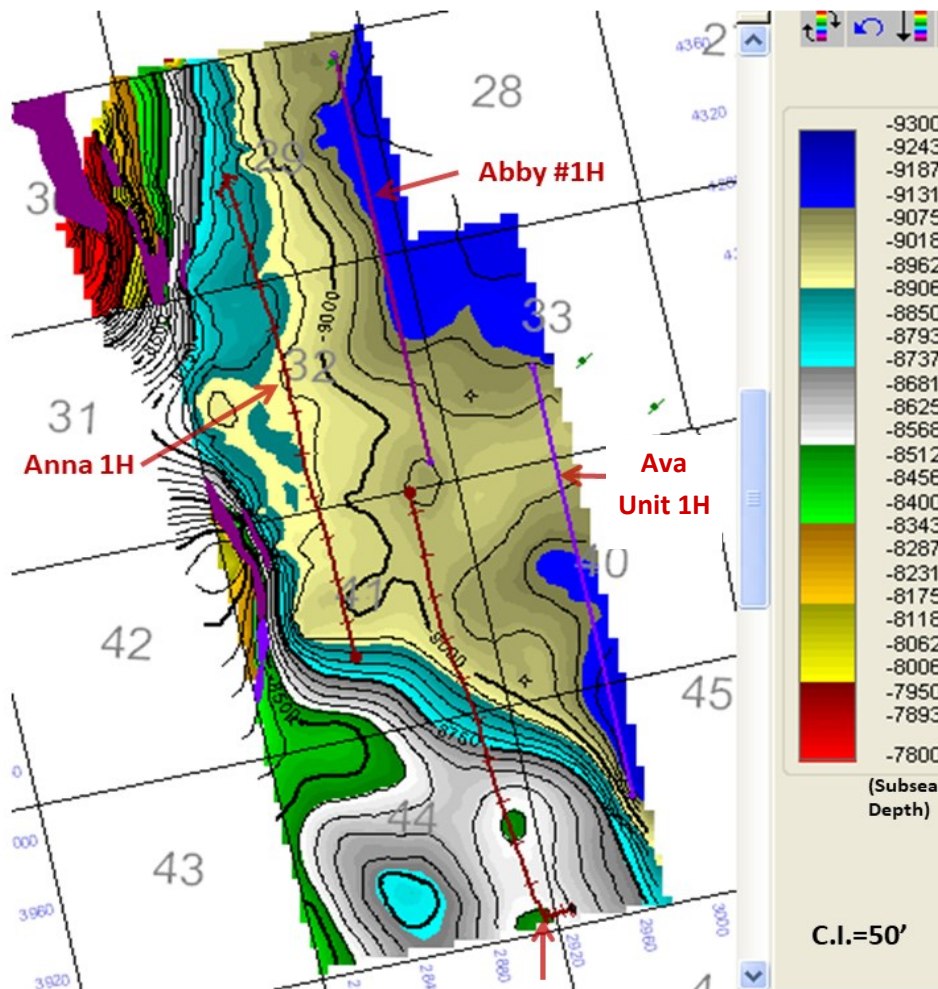


# PRADERA FUEGO FIELD

## Recently Drilled Wells

Sweet Melissa 1H, Anna 1H, Terry Unit 1H, Abby Unit 1H

- The Sweet Melissa 1H is projected to recover 965,000 barrels of oil 1,750,000 MCF of gas. It had a 30 day production average of 730 barrels of oil per day and 1,800 MCF per day.
- The Anna 1H is projected to recover 970,000 barrels of oil and 2,100,000 MCF of gas. It had a 30 day production average of 716 barrels of oil per day and 1,113 MCF per day.
- The Abby Unit 1H is projected to recover 950,000 barrels of oil and 1,800,000 MCF of gas. Initial rates are expected to exceed 800 barrels of oil per day and 1,700 MCF per day. Waiting on completion.
- The Terry Unit 1H is projected to recover 950,000 barrels of oil and 1,800,000 MCF of gas. Initial rates are expected to exceed 800 barrels of oil per day and 1,700 MCF per day. Waiting on completion.



Sweet Melissa 1H





# PRADERA FUEGO FIELD

## Sweet Melissa 1H Recently Drilled

### Well Summary:

- The Sweet Melissa 1H is the first horizontal Mississippian well drilled and completed in the Ares Energy, LTD operated Pradera Fuego Project located in the Permian Basin (West of the city of Odessa, Ector County, Texas).
- The well was drilled to a Total Measured Depth of 21,450 ft., requiring 43 days. True Vertical Depth was 11,295 ft. with a horizontal length of 10,155 ft.
- Over 21.6 million pounds of sand and 539,600 barrels of fresh water were pumped with 55 individual fracs over a 14 day period (24 hr. operation).
- Flow-back was initiated with initial pressures of 3,300 psi and peak flowing rate of 2,960 barrels of total fluid per day. Peak flowing oil rate was 835 barrels of oil and 1,300 MCF per day and 30-day average production rate of 730 barrels of oil per day and 1,100 MCF per day.
- Well is currently on gas lift and expected to ultimately recover 965,000 barrels of oil and 1,750,000 MCF of gas.
- Well has recovered over 186,418 barrels of oil and 334,430 MCF from March through April 2023 (14 months).

### Well Completion:

- The Sweet Melissa 1H was the first horizontal Mississippian well drilled and completed in the Ares Energy, LTD operated Pradera Fuego Project located in the Permian Basin (West of the city of Odessa, Ector County, Texas).
- Flow-back was initiated with initial pressures of 3,300 psi and peak flowing rate of 2,960 barrels of total fluid per day and peak daily flowing rates of 835 barrels of oil and 1,300,000 MCF.

### Reserve Estimate and Analysis :

- Based on normalized production performance curves (“Type Curve”) from offset wells by Oxy, Zervona and Diamondback, the **Sweet Melissa 1H is expected to recover 965,000 barrels of oil and 1,750,000 MCF.**
- The Sweet Melissa 1H had a 30-day production rate of **730 barrels of oil per day and 1,100 MCF per day.**





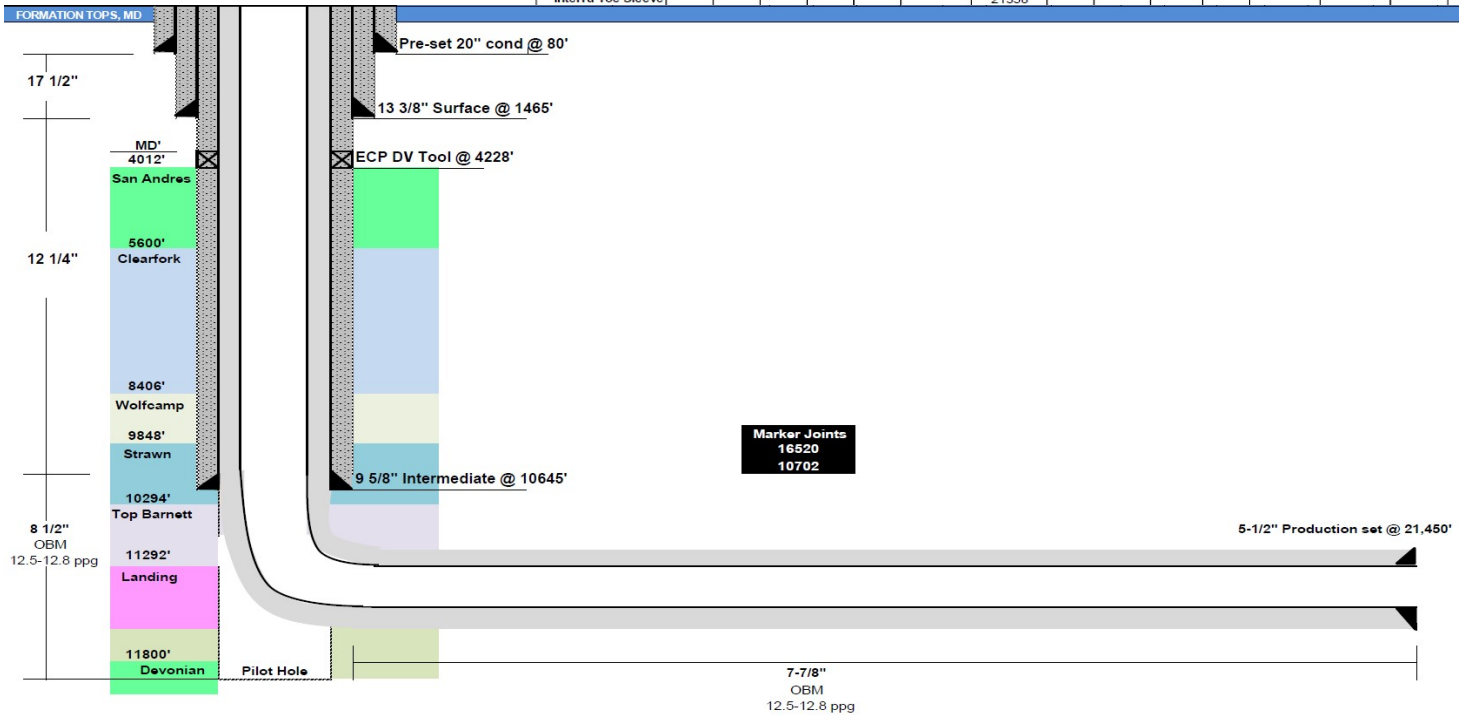
# PRADERA FUEGO FIELD

## Sweet Melissa 1H Recently Drilled - Well Design

### Well Construction Design

- The well was drilled to a total measured depth of 21,450 ft. requiring 43 days.
- The Vertical Depth was 11,295 ft. with a horizontal length of 10,155 ft.

WELL NAME: Sweet Melissa 1H	DRILLING MGR: Jason L. Kincaid	CASING DETAILS							CEMENT DETAILS						
FORMATION: Bamett	GEO MGR: Brett Bracken	Conn	O.D.	Wt	Grade	Hole	Start	End	TD	Sx	Yield	ft <sup>3</sup>	Density	TOC	Type
COUNTY, ST: Ector, TX	GL: 3010' RKB: 3035'	SURFACE													
SHL: 330' FSL, 400' FWL, Sec. 45, Blk 43, T-1-S	KB: 25'	BTC	13 3/8"	54.5	J-55	17 1/2"	0	1465	1480	1200	1.98	2376	12.8	Circ. 164	
BHL: 100' FNL, 990' FEL, Sec. 41, Blk 43, T-1-S		INTERMEDIATE													
API #: 42-135-43810		BTC	9 5/8"	40	HCL-80	12 1/4"	0	10645	10660	900	2.65	2385	11	Circ. 142	2nd Stage
SPUD: 9/17/2021 6.05		PRODUCTION													
RIG DOWN:		TCBC	5 1/2"	23	HP110	7 7/8"	0	21450	21450	565	4.04	2283	10.5	Circ. 10	
TD: 10/31/2021 12.20		PBTD													
		Interra Toe Sleeve													
								21404		1700	1.71	2907	13.2	Circ. 10	bbls to surf



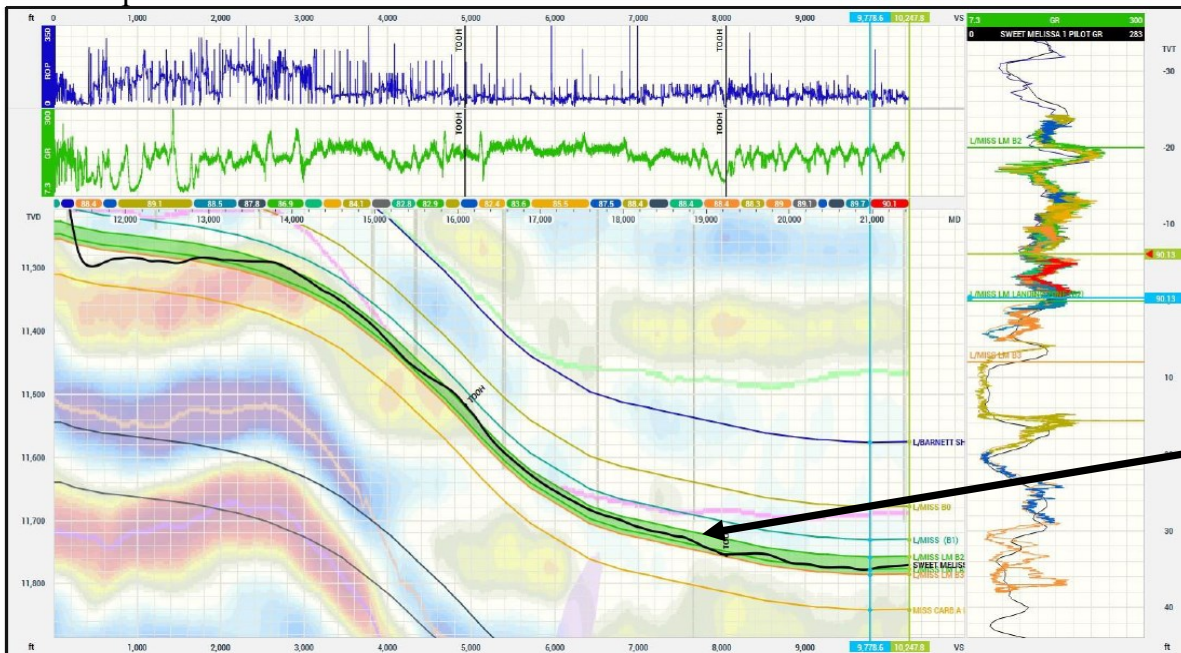


# PRADERA FUEGO FIELD

## Sweet Melissa 1H Recently Drilled Well Path and Geologic Target

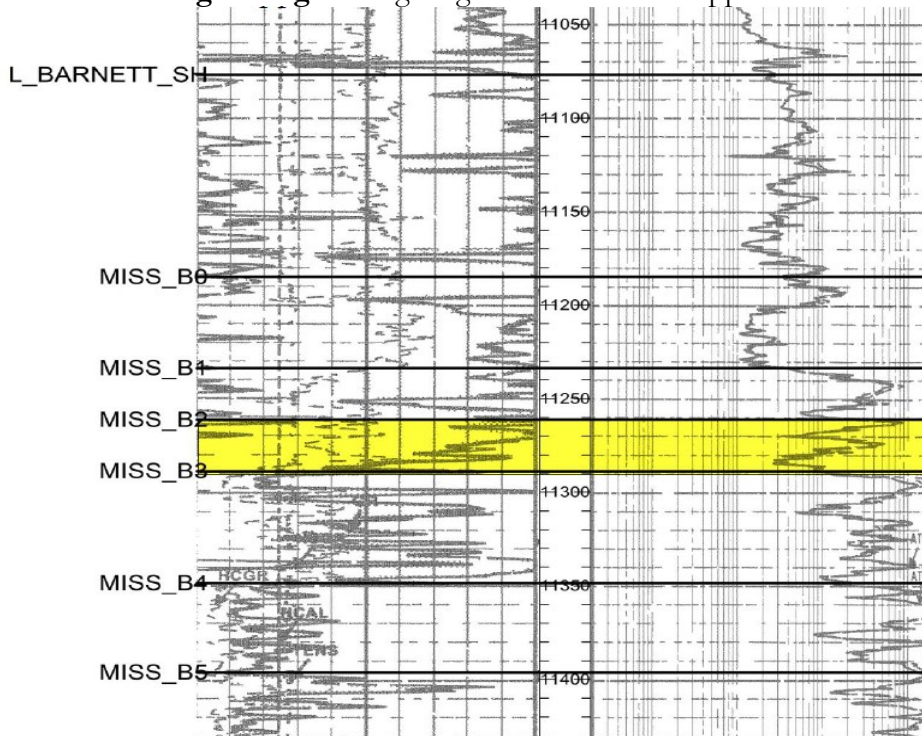
### Well Path:

- The lateral experienced a 545 ft. vertical drop over a 1-mile horizontal distance.
- ARES was able to maintain the wellbore within the desired 23 ft. thick B-2 zone along the entire 10,250 ft. lateral path.



Mississippian oil pay in green

### Geologic Target: Targeting the Lower Mississippian B - 2 Zone







# PRADERA FUEGO FIELD

---

## Anna 1H Recently Drilled

---

### Well Summary:

- The Anna 1H is a horizontal Mississippian well drilled in the Ares Energy, LTD operated Pradera Fuego Project located in the Permian Basin (West of the city of Odessa, Ector County, Texas).
- The well was drilled to a Total Measured Depth of 22,865 ft., True Vertical Depth was 11,625 ft. with a horizontal length of 11,240 ft. The Anna 1H is the second longest in total length and the longest in lateral length of any Mississippian Barnett well in Andrews or Ector County (total of 75 wells).
- The Anna 1H had a peak flowing of rate 818 barrels of oil per day and 1,686 MCF per day.







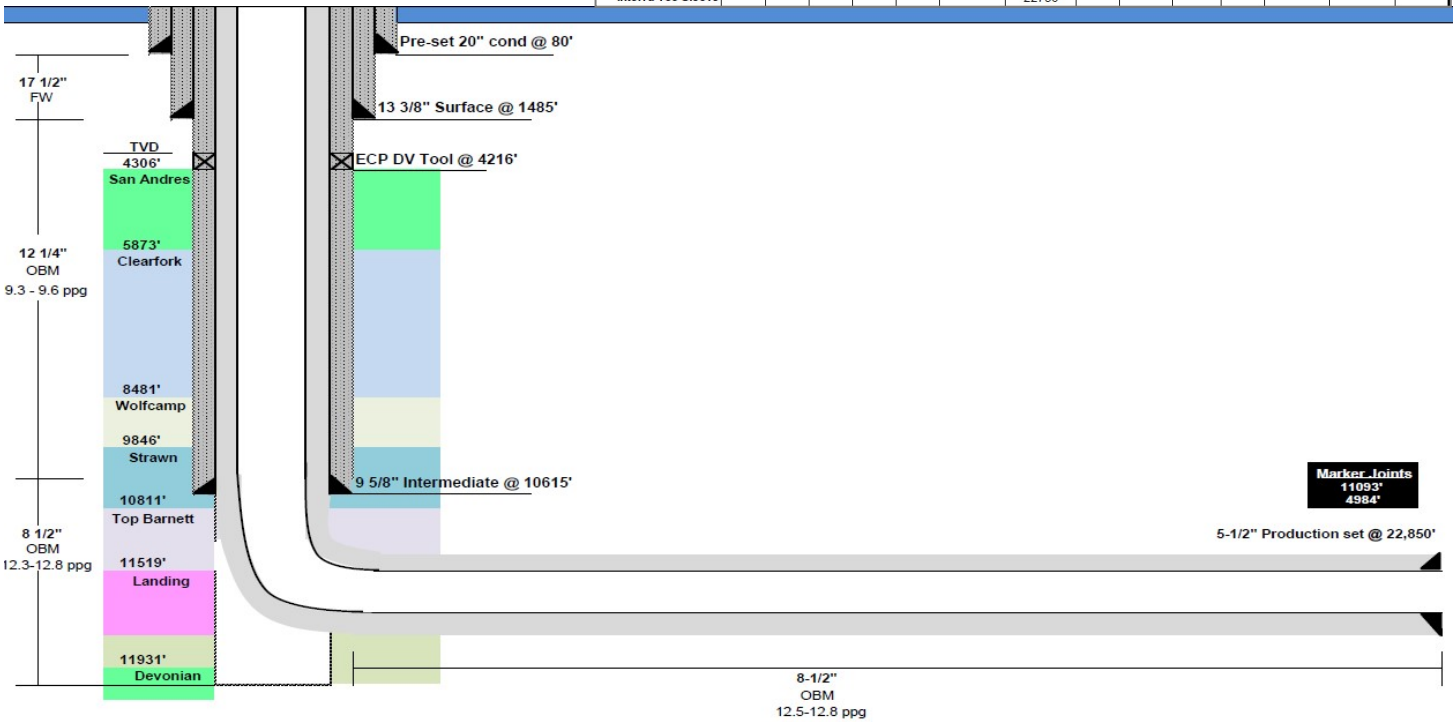
# PRADERA FUEGO FIELD

## Anna 1H Recently Drilled - Well Design

### Well Construction Design:

- The well was drilled to a Total Measured Depth of 22,865 ft., requiring 30 days.
- True Vertical Depth was 11,625 ft. with a horizontal length of 11,240 ft.

<b>WELL NAME:</b> Anna 1H <b>FORMATION:</b> Barnett <b>COUNTY, ST:</b> Ector, TX <b>SHL:</b> 2271' FSL, 1619' FWL, Sec. 29, Blk 43, T1S TP RR S <b>BHL:</b> 330' FSL, 1980' FWL, Sec. 41, Blk 43, T1S, TP RR Su <b>API #:</b> 42-135-43903 <b>SPUD:</b> 8/26/2022 14:00 <b>RIGDOWN:</b> <b>TD:</b> 9/21/2022 19:30	<b>DRILLING MGR:</b> Jason L. Kincaid <b>OPS MGR:</b> Brian Ramey <b>GEO MGR:</b> Brett Bracken <b>SGL:</b> 3036' <b>RKB:</b> 3061' <b>SuKB:</b> 22'	<b>CASING DETAILS</b>							<b>CEMENT DETAILS</b>					
		Conn	O.D.	Wt	Grade	Hole	Start	End	TD	Sx	Yield	ft <sup>3</sup>	Density	TOC
<b>SURFACE</b>		BTC	13 3/8"	54.5	J-55	17 1/2"	0	1485	1495	1298	1.83	2375	12.8	Circ. 230 bbl cmt
<b>INTERMEDIATE</b>		BTC	9 5/8"	40	HCL-80	12 1/4"	0 DV Tool	10615 4216	10637	900	2.65	2385	11	Circ. 71 bbls cmt
<b>PRODUCTION</b>		HTQ	5 1/2"	23	RYS110	8 1/2"	0	22850 22804 22756	22876	662	3.45	2284	11	Circ. 5 bbls cmt
		PBTD Interra Toe Sleeve								200	1.28	256	14.8	Circ. 75 bbls cmt
										200	1.28	256	14.2	1st Stage

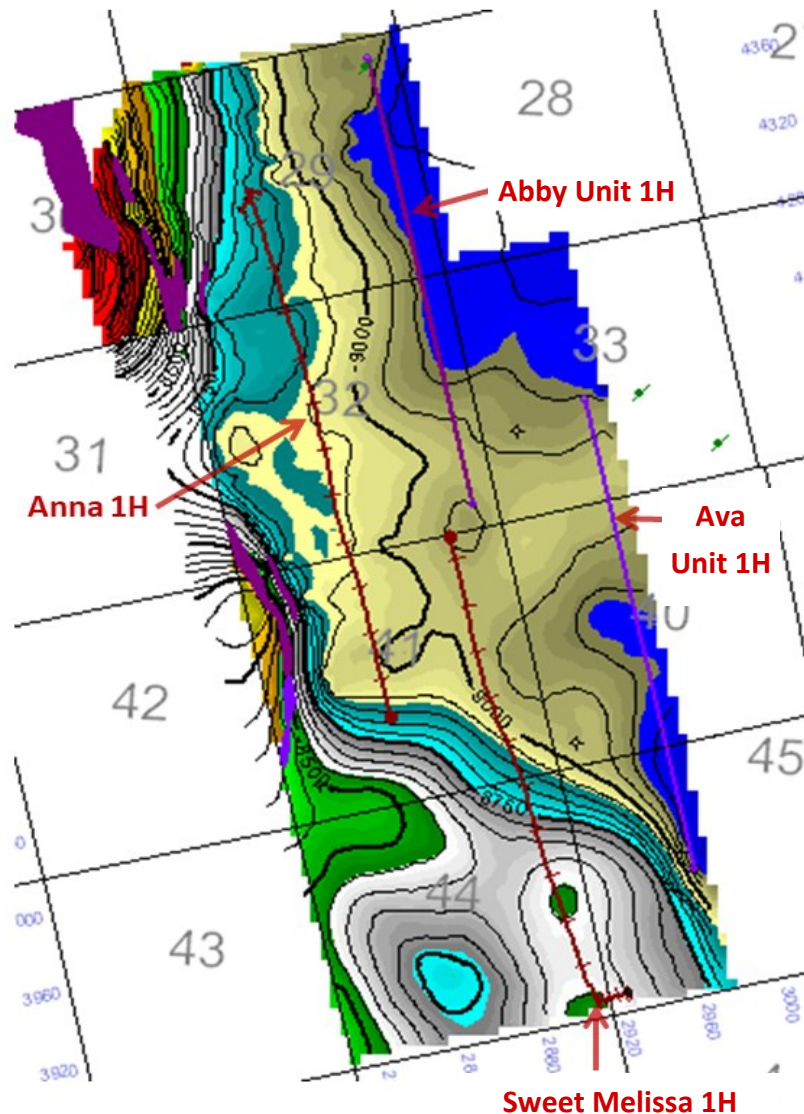




# PRADERA FUEGO FIELD

## The Anna 1H Recently Drilled

- The Anna 1H was drilled North to South, negotiating a steeply dipping Devonian structure to the west.
- Proximity to the Devonian structure may enhance the productivity of the well due to the natural fracturing encountered along the entirety of the horizontal leg of the wellbore.
- Based on the relative position of the wellbore to folding of the Devonian structure, the benefits of natural fracturing experienced by the Sweet Melissa 1H across the fold were encountered along the entire length of the wellbore.





# PRADERA FUEGO FIELD

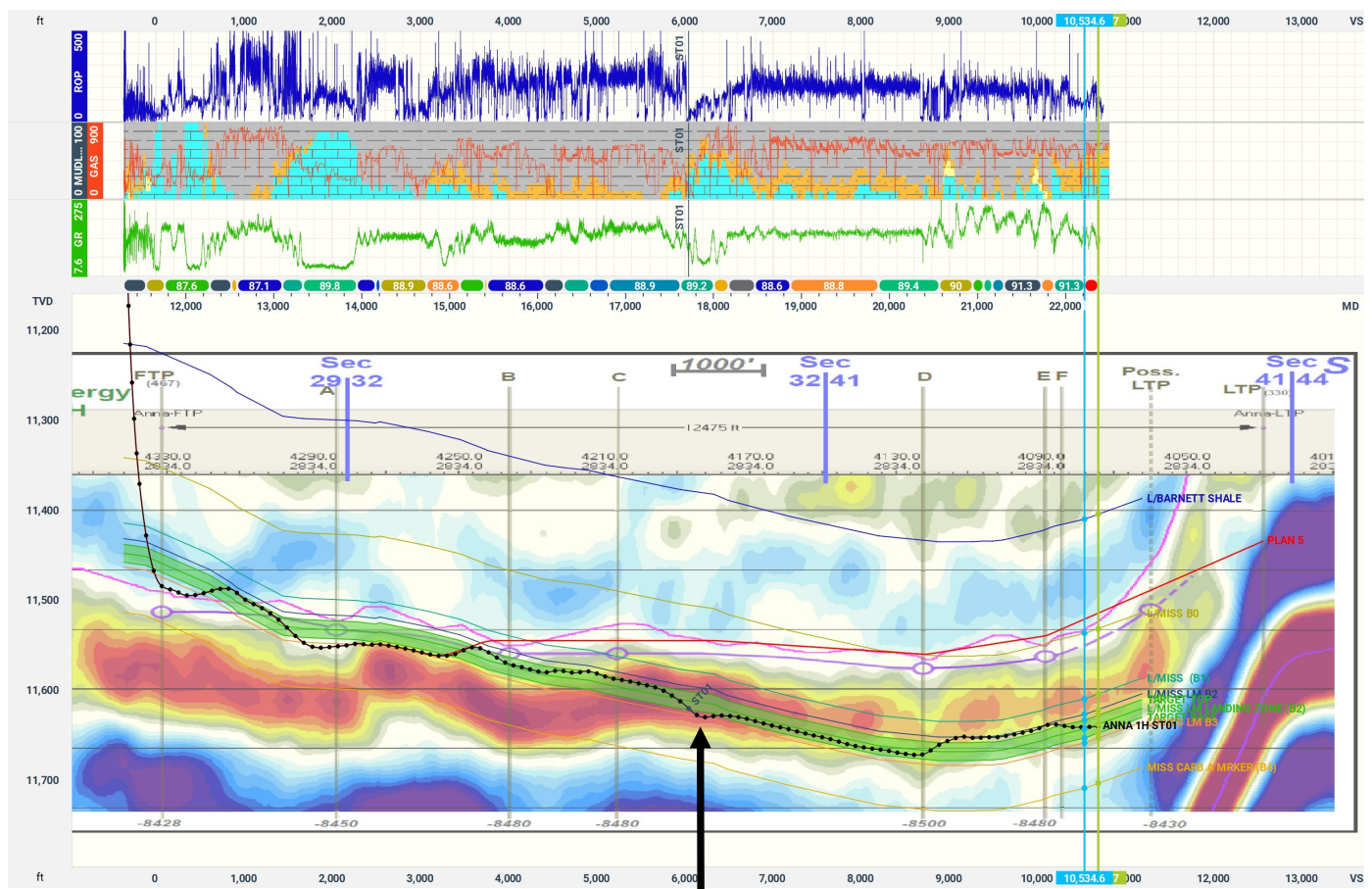
## Anna 1H Recently Drilled Well Path and Geologic Target

### Well Path:

- The lateral was drilled in a North to South direction along the steeply Devonian structure to the West.
- Ares was able to maintain the well bore within the desired 23 ft. thick B-2 zone along the entire 11,240 ft. lateral path.
- It appears the relative thickness of the Mississippian shale package is greater than in the Sweet Melissa 1H.

### Reserve Estimate:

- Based on normalized production performance curves (“Type Curve”) from wells by Oxy, Zarvona, Diamondback and the Sweet Melissa 1H, the Anna 1H is projected to “ultimately” recover approximately 970,000 barrels of oil and 2,100,000 MCF.
- Initial 30-day production rate was 716 barrels of oil per day and 1,113 MCF per day.



Mississippian oil pay in green



# PRADERA FUEGO FIELD

## Abby Unit 1H Recently Drilled

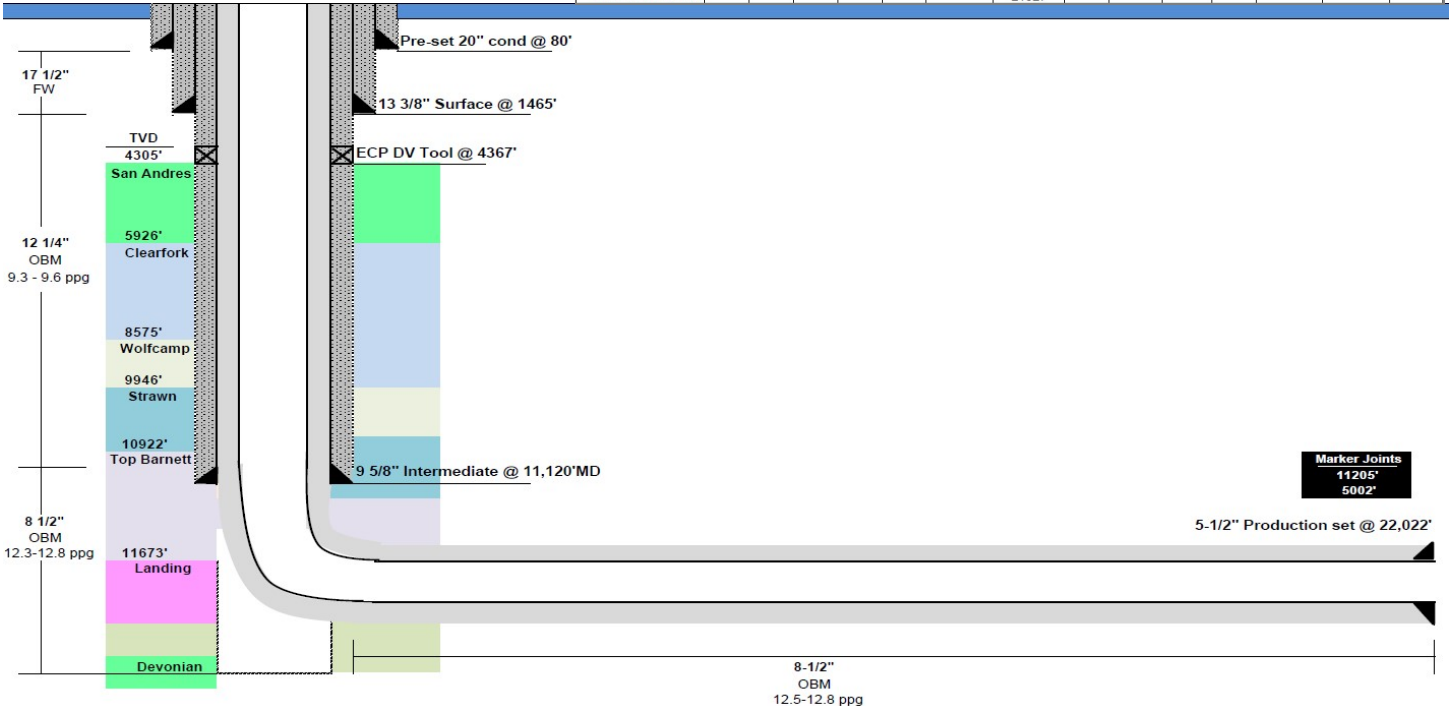
### Well Summary:

- The Abby Unit 1H is the third horizontal Mississippian well drilled by Ares Energy, LTD in the Pradera Fuego Project.
- The Abby Unit 1H was spud on September 22, 2022 using Nabors Rig #M7504.

### Well Construction Design:

- The well was drilled to Total Measured Depth of 22,035 ft. requiring 22 days.
- True Vertical Depth was 11,750 ft. with a horizontal length of 10,282 ft.
- Waiting on completion.

<b>WELL NAME:</b> Abby Unit 1H <b>FORMATION:</b> Barnett <b>COUNTY, ST:</b> Ector, TX <b>SHL:</b> 467' FNL, 467' FEL, Sec. 29, Blk 43, T1S TP RR Surv <b>BHL:</b> 2173' FNL, 467' FEL, Sec. 32, Blk 43, T1S, TP RR Sur <b>API #:</b> 42-135-43924 <b>SPUD:</b> 10/2/2022 16:30 <b>RIG DOWN:</b> 10/26/22 6:00 <b>TD:</b> 10/20/2022 2:00	<b>DRILLING MGR:</b> Jason L. Kincaid <b>OPS MGR:</b> Brian Ramey <b>GEO MGR:</b> Brett Bracken <b>GL:</b> 3037' <b>RKB:</b> 3059' <b>KB:</b> 22'	<table border="1"> <thead> <tr> <th colspan="7">CASING DETAILS</th> <th colspan="7">CEMENT DETAILS</th> </tr> <tr> <th></th> <th>Conn</th> <th>O.D.</th> <th>Wt</th> <th>Grade</th> <th>Hole</th> <th>Start</th> <th>End</th> <th>TD</th> <th>Sx</th> <th>Yield</th> <th>ft*</th> <th>Density</th> <th>TOC</th> <th>Type</th> </tr> </thead> <tbody> <tr> <td>SURFACE</td> <td>BTC</td> <td>13 3/8"</td> <td>54.5</td> <td>J-55</td> <td>17 1/2"</td> <td>0</td> <td>1465</td> <td>1477</td> <td>1298</td> <td>1.83</td> <td>2375</td> <td>12.8</td> <td>Circ 238</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>403</td> <td>1.59</td> <td>640.8</td> <td>13.8</td> <td>bbbls cmt</td> <td></td> </tr> <tr> <td>INTERMEDIATE</td> <td>BTC</td> <td>9 5/8"</td> <td>40</td> <td>HCL-80</td> <td>12 1/4"</td> <td>0</td> <td>11120</td> <td>11130</td> <td>700</td> <td>2.62</td> <td>1834</td> <td>11.6</td> <td>Circ 29</td> <td>2nd Stage</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>DV Tool</td> <td>4367</td> <td></td> <td>194</td> <td>1.33</td> <td>258</td> <td>14.8</td> <td>bbbls cmt</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>850</td> <td>3.44</td> <td>2924</td> <td>11</td> <td>Circ 93</td> <td>1st Stage</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>200</td> <td>1.28</td> <td>256</td> <td>14.4</td> <td>bbbls cmt</td> <td></td> </tr> <tr> <td>PRODUCTION</td> <td>HTQ</td> <td>5 1/2"</td> <td>23</td> <td>RYS110</td> <td>8 1/2"</td> <td>0</td> <td>22022</td> <td>22032</td> <td>800</td> <td>3.49</td> <td>2792</td> <td>11</td> <td>Circ 94</td> <td></td> </tr> <tr> <td></td> <td>PBTD</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>21982</td> <td></td> <td>2000</td> <td>1.61</td> <td>3220</td> <td>13.5</td> <td>bbbls cmt</td> <td></td> </tr> <tr> <td></td> <td>Interra Toe Sleeve</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>21927</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	CASING DETAILS							CEMENT DETAILS								Conn	O.D.	Wt	Grade	Hole	Start	End	TD	Sx	Yield	ft*	Density	TOC	Type	SURFACE	BTC	13 3/8"	54.5	J-55	17 1/2"	0	1465	1477	1298	1.83	2375	12.8	Circ 238											403	1.59	640.8	13.8	bbbls cmt		INTERMEDIATE	BTC	9 5/8"	40	HCL-80	12 1/4"	0	11120	11130	700	2.62	1834	11.6	Circ 29	2nd Stage							DV Tool	4367		194	1.33	258	14.8	bbbls cmt											850	3.44	2924	11	Circ 93	1st Stage										200	1.28	256	14.4	bbbls cmt		PRODUCTION	HTQ	5 1/2"	23	RYS110	8 1/2"	0	22022	22032	800	3.49	2792	11	Circ 94			PBTD						21982		2000	1.61	3220	13.5	bbbls cmt			Interra Toe Sleeve						21927							
CASING DETAILS							CEMENT DETAILS																																																																																																																																																															
	Conn	O.D.	Wt	Grade	Hole	Start	End	TD	Sx	Yield	ft*	Density	TOC	Type																																																																																																																																																								
SURFACE	BTC	13 3/8"	54.5	J-55	17 1/2"	0	1465	1477	1298	1.83	2375	12.8	Circ 238																																																																																																																																																									
									403	1.59	640.8	13.8	bbbls cmt																																																																																																																																																									
INTERMEDIATE	BTC	9 5/8"	40	HCL-80	12 1/4"	0	11120	11130	700	2.62	1834	11.6	Circ 29	2nd Stage																																																																																																																																																								
						DV Tool	4367		194	1.33	258	14.8	bbbls cmt																																																																																																																																																									
									850	3.44	2924	11	Circ 93	1st Stage																																																																																																																																																								
									200	1.28	256	14.4	bbbls cmt																																																																																																																																																									
PRODUCTION	HTQ	5 1/2"	23	RYS110	8 1/2"	0	22022	22032	800	3.49	2792	11	Circ 94																																																																																																																																																									
	PBTD						21982		2000	1.61	3220	13.5	bbbls cmt																																																																																																																																																									
	Interra Toe Sleeve						21927																																																																																																																																																															





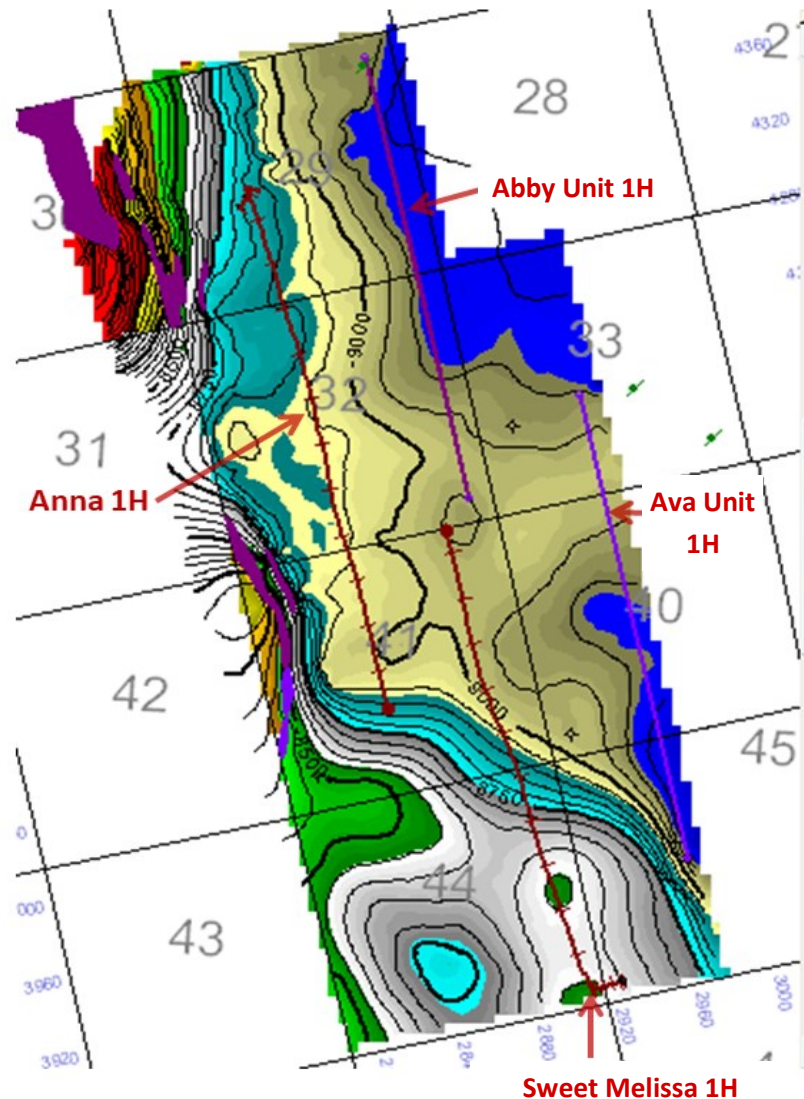


# PRADERA FUEGO FIELD

## Abby Unit 1H Recently Drilled Seismic Interpretation

### Seismic Interpretation:

- The Abby Unit 1H was drilled in a North to South direction along the steeply dipping Devonian structure to the west.
- The Abby Unit 1H is approximately 2,650 ft. east of the Anna 1H.
- During the drilling of the lateral, sample oil shows were the best seen so far. Mud loggers witnessed up to 800 units of gas and bleeding oil from the samples.







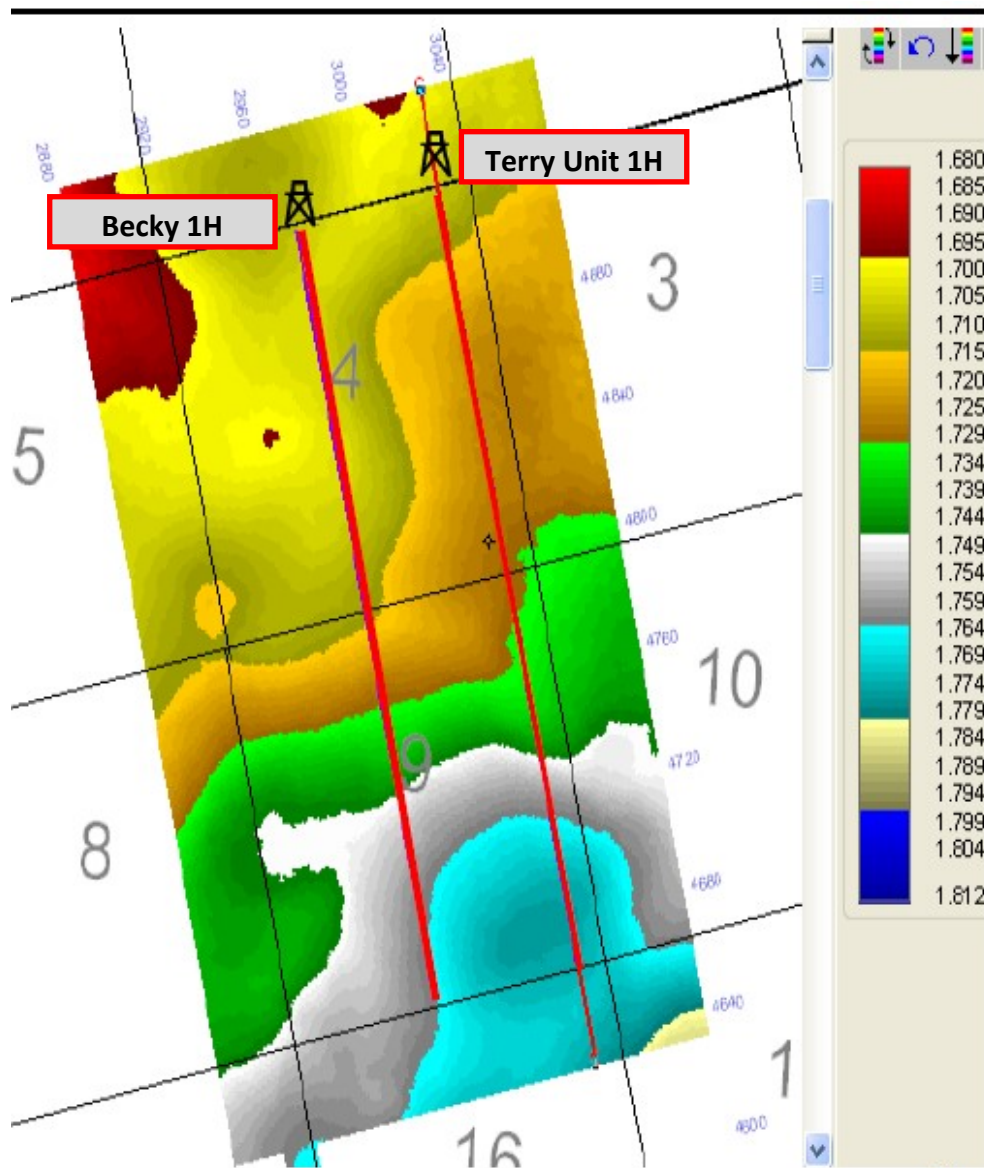


# PRADERA FUEGO FIELD

## Terry Unit 1H Recently Drilled

### Seismic Interpretation:

- The Terry Unit 1H was drilled in a North to South direction. It was drilled as a 2.0 mile horizontal Mississippi well.
- Oil reserves are projected to be similar to the previous wells drilled in the Pradera Fuego Project at greater than 1,000,000 barrels of oil equivalent when including natural gas reserves.
- Currently 13 active well permits for the Mississippian horizontals have been filed by Oxy, Diamondback, Zarvona, Fasken Oil & Gas, and Ares in the area of the Black Gold IV wells.



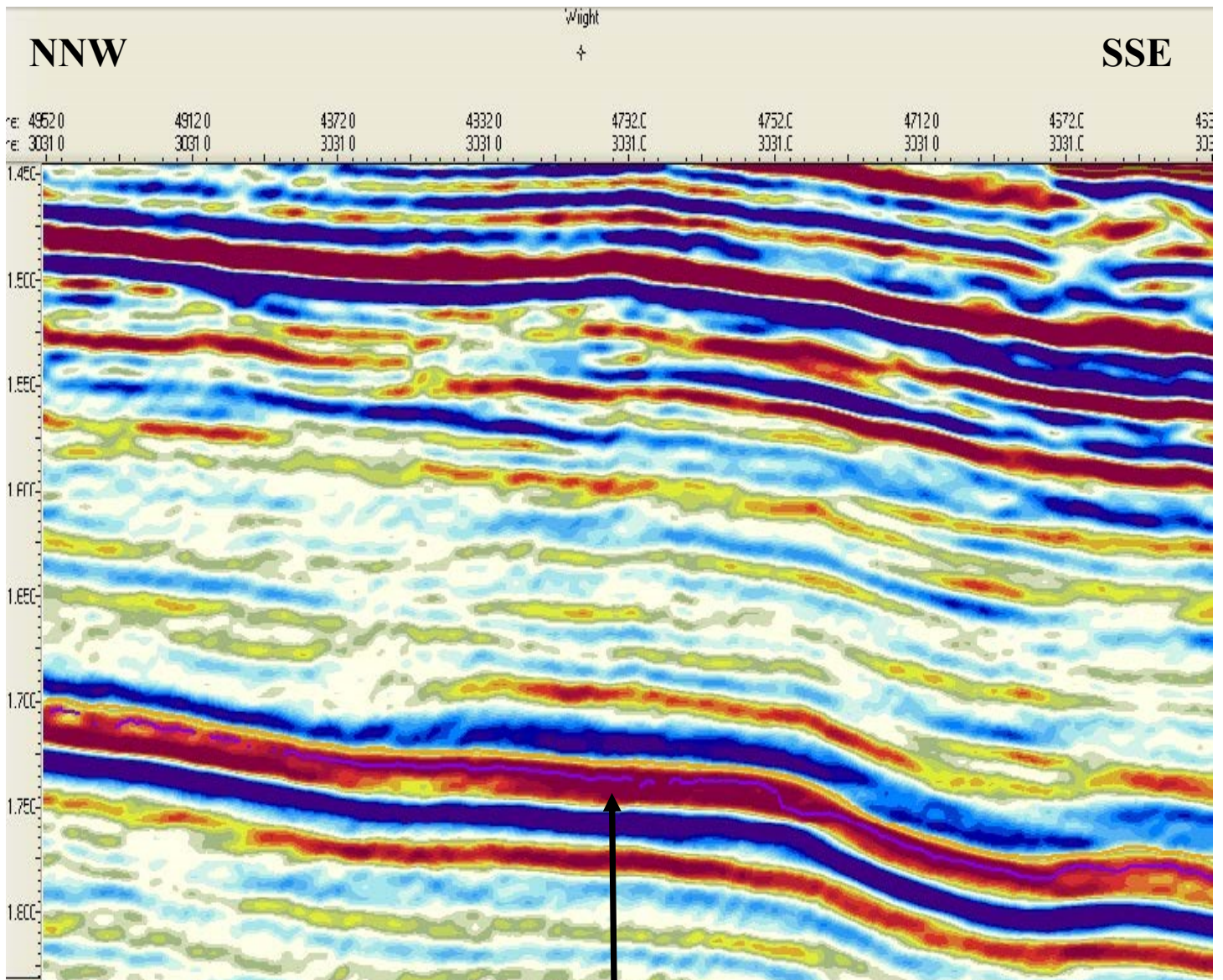


# PRADERA FUEGO FIELD

## Terry Unit 1H - Seismic Interpretation

### Seismic ARB Line:

- Seismic reflection along the Terry Unit 1H well path.



3D Seismic slice of the Mississippian oil formation.





# PRADERA FUEGO FIELD

## Terry Unit 1H Recently Drilled Well Path and Geologic Target

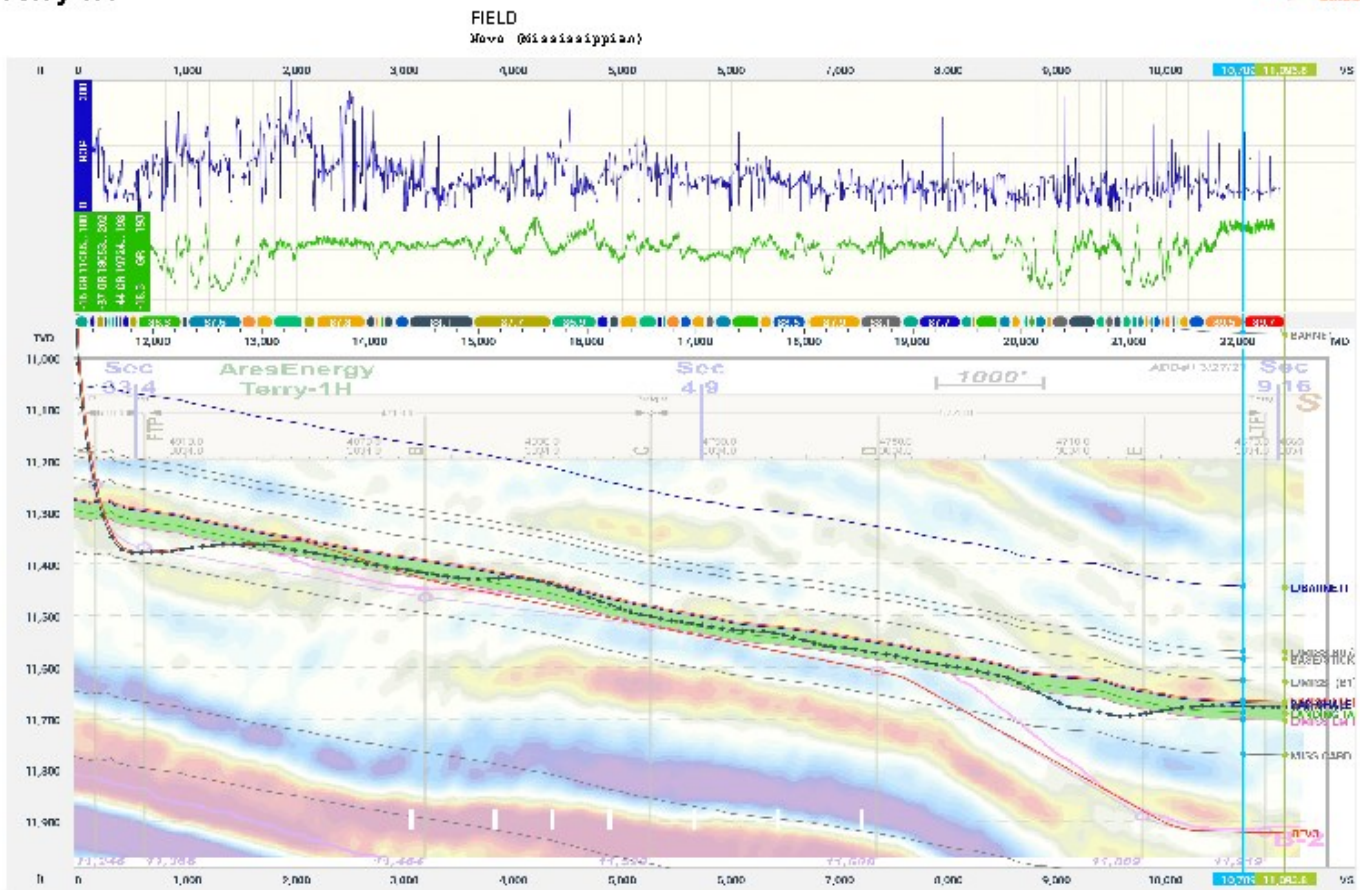
### Well Path:

- Ares was able to maintain the well bore within the desired 23 ft. thick B-2 zone along the entire 10,765 ft. lateral path.

### Reserve Estimate:

- Based on normalized production performance curves (“Type Curve”) from wells by Oxy, Zarvona, Diamondback and the Sweet Melissa 1H, the Anna 1H is projected to “ultimately” recover approximately 950,000 barrels of oil and 1,800,000 MCF.
- Initial production rates could exceed 800 barrels of oil per day and 1,700 MCF per day.

WELL  
Terry 1H



Green: productive Mississippiian shale formation



# PRADERA FUEGO FIELD

Terry 1H Recently Drilled

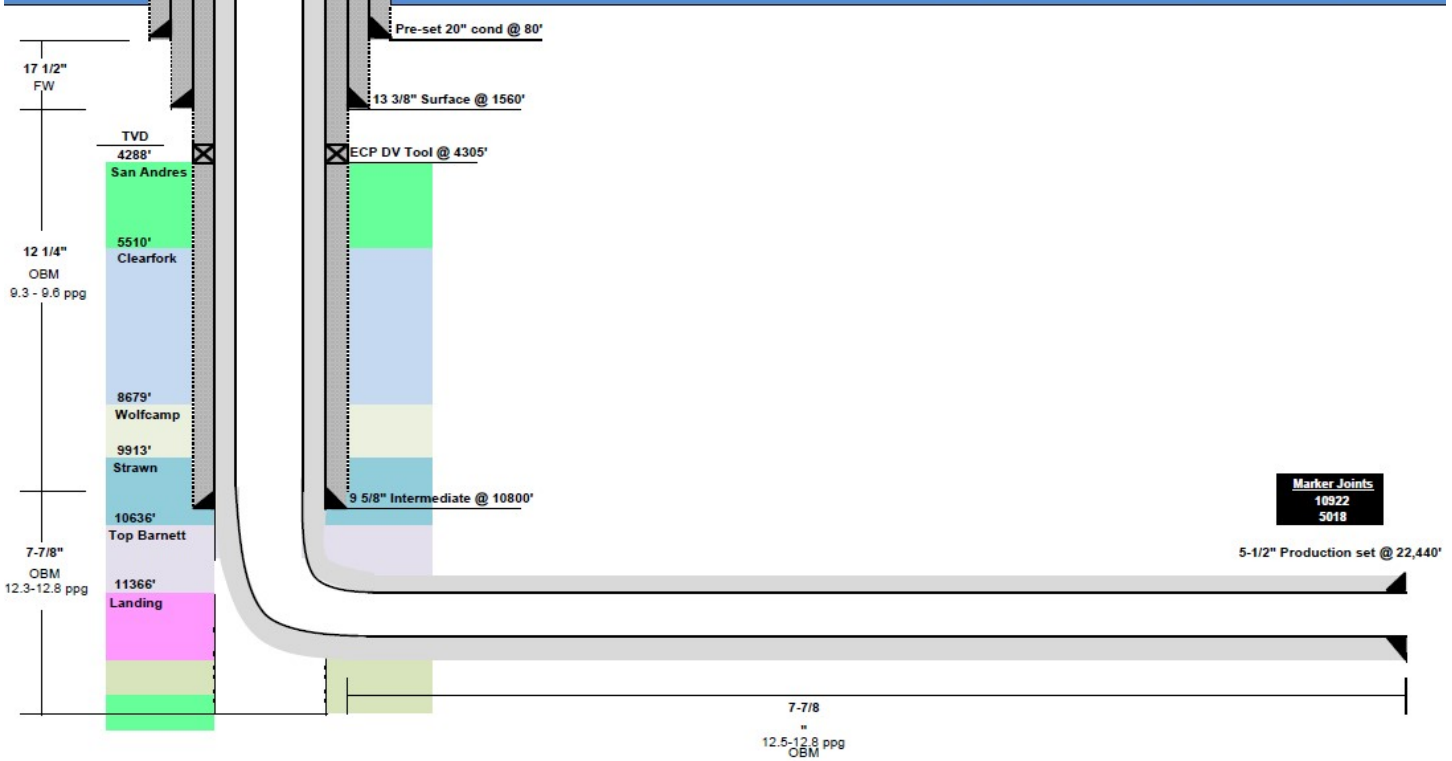
## Well Summary:

- The Terry 1H is the third horizontal Mississippiian well drilled by Ares Energy, LTD in the Pradera Fuego Project.
- The Terry 1H was spud on March 15, 2023 using Pinnergy #1 Rig.

## Well Construction Design:

- The well was drilled to Total Measured Depth of 22,440 ft. requiring 41 days.
- True Vertical Depth was 11,675 ft. with a horizontal length of 10,765 ft.
- Waiting on completion.

<b>WELL NAME:</b> Terry 1H <b>FORMATION:</b> Barnett <b>COUNTY, ST:</b> Ector, TX <b>SHL:</b> 500' FSL, 1594' FEL, Sec. 33, Blk 43, T1N TP RR Survey <b>BHL:</b> 100' FSL, 330' FEL, Sec. 9, Blk 43, T1S, TP RR Survey <b>API #:</b> 42-135-43852 <b>SPUD:</b> 3/15/2023 23:00 <b>RIG:</b> 4/28/2023 <b>DOWN:</b> 4/24/2023 <b>TD:</b> 5:30	<b>DRILLING MGR:</b> Jason L. Kincaid <b>OPS MGR:</b> Brian Ramey <b>GEO MGR:</b> Brett Bracken <b>GL:</b> 3082' <b>RKB:</b> 3108' <b>KB:</b> 26'	CASING DETAILS							CEMENT DETAILS						
		SURFACE	Conn	O.D.	Wt	Grade	Hole	Start	End	TD	Sx	Yield	ft <sup>3</sup>	Density	TOC
INTERMEDIATE	BTC	9 5/8"	40	P110	12 1/4"	0 DV Tool	10800 4305	10815	868 196 693 200	1.83 1.59 1.33 1.28	2379 636 260.68 256	12.8 13.8 14.8 14.2	Circ 240 bbbls cmt	Circ 77 bbbls cmt	2nd Stage
PRODUCTION PBSD Interra Toe Sleeve	BKHT	5 1/2"	23	HCP110	8 1/2"	0	22430 22384 22345	22440	662 1988	3.45 1.6	2284 3181	11 13.5	Calculated TOC = 123'	1st Stage	



---

(This page has been left blank intentionally.)





# OFFERING

## Black Gold Development IV

Royale will have three oil wells drilled and completed. Completion will be attempted on the wells if the information obtained for the formation appears sufficiently positive. It is anticipated that the wells will be completed. There can be no assurance, however, that any well will be commercially productive.

### ISSUER:

#### Royale Energy

1530 Hilton Head Rd, Suite 205

El Cajon, CA 92019

Phone: (619) 383-6600

### UNITS OFFERED

The Company is offering 34.70 units, at \$100,000 per unit, of fractional undivided working interests in the rights and wells to be acquired and drilled in Texas.

The “**subject wells**” means the following:

- 1.) Pradera Fuego, # 6 Ector County Texas
- 2.) Pradera Fuego, # 7 Ector County Texas
- 3.) Pradera Fuego, # 8 Ector County Texas

The Company may in its sole discretion decide to increase the “Maximum Offering” to 57.14 units. Fractional unit purchases may be accepted at the discretion of the Company.

Units are being offered by the Company through authorized employees of the Company. The Company may elect to engage other broker dealers who are members of FINRA (“Selling Brokers”) that may offer such units on a “best efforts” basis. Selling Brokers shall be paid a commission on units sold through them up to six percent (6%) of the total units sold by such Selling Broker. The offering is only made to accredited investors who meet certain suitability standards described herein.

### USE OF PROCEEDS

The following table estimates the use of the proceeds of the offering, assuming the maximum number of units are sold.

	Maximum Offering	Minimum Offering
<b>Investor’s interest</b>	\$5,714,000	\$3,470,000
<b>Less:</b>		
<b>Sales commissions up to 6%</b>	\$342,840	\$208,200
<b>Organizational expenses</b>	0	0
<b>Available for investment in drilling and completion of wells</b>	\$5,371,160	\$3,261,800



---

# TERMS AND AGREEMENT

---

## Black Gold Development IV

---

### RISK FACTORS

---

You should recognize that oil and gas exploration and drilling is a high-risk enterprise. Investment in the Units of working interest in the subject wells (the “units”) is recommended only for persons who are prepared to assume the substantial risks discussed in this Section and elsewhere in this Memorandum. The nature of these risks requires you to be in a position (a) to hold the Units for a substantial number of years, and (b) to absorb the possible complete loss of the investment.

#### **RISKS RELATING TO THE PURCHASE OF OIL AND GAS INVESTMENTS GENERALLY**

##### **Speculative Nature of Oil and Gas Drilling and Development Activities; Natural and Other Hazards.**

Exploration, drilling, and development of oil and gas properties is not an exact science and involves a high degree of risk. The Company cannot be sure that oil or gas will be found or that, if found, sufficient oil or gas production will be obtained to enable you to recoup your investment in the Units. The results of any well cannot be determined in advance. During the drilling and completion of the prospect, hazards may be encountered which include unusual or unexpected formations, pressures, or other conditions, blow-outs, fires, failure of equipment, and downhole collapses. A well may also be ruined or rendered dry or non-commercial during either drilling or completion due to technical or mechanical difficulties. Should a well be successfully drilled to the required depth, and tests thereafter indicate hydrocarbon-bearing formations with sufficient porosity and permeability to warrant completion, there is still no assurance that production will be obtained or that any or all sums expended thereon will be recouped through production.

**Importance of Future Price, Supply, and Demand.** The economics of natural gas and crude oil production are affected or may be affected in the future by a number of factors, including (i) the general demand in the economy for energy fuels, (ii) governmental policies with respect to crude oil imports and other factors affecting potential competition from foreign sources of natural gas and crude oil and competing fuels, (iii) governmental regulation of prices for natural gas and crude oil, (iv) state regulations affecting allowable rates of production, well spacing and other factors, (v) price and availability of alternative fuels, and (vi) availability of pipeline capacity. If such fluctuations continue or the price of crude oil or natural gas increases or decreases, they may affect the profitability of an investment in the Units. The company can not predict future oil and gas prices which are dependant on numerous factors beyond the company's control.

**The Subject Wells and the Company are Subject to Federal, State, and Local Laws and Regulations.** The Company’s proposed operations, including drilling and development of subject wells, will be regulated at the federal, state and local levels. Environmental and other government laws and regulations can increase the costs to operate. In addition, the Company’s activities are subject to regulations regarding conservation practices. The oil and gas regulatory environment could change in ways that might increase the cost of compliance with those laws and regulations with respect to the subject wells.

**Title Risks.** The Company will hold title to the oil and gas rights for the benefit of the Unit Holders in Royale DWI Investors, LLC (“RDI”) and may record the same in the appropriate county recorder’s office. While the Company will exercise normal procedures and take all prudent precautions in the acquisition and assignment of oil and gas properties, there is no assurance that losses will not result from title defects or from defects in the assignment of properties.

---

## PARTICULAR RISKS OF THIS OFFERING

**Transferability.** The Units offered hereby will be assigned as beneficial ownership of a direct working interest in the said wells, without registration under the Securities Act of 1933. Moreover, there is no formal public market for the sale of direct working interests, and one must rely upon the private market for sale of any interests.

Accordingly, only persons who intend to maintain their ownership for an indefinite period of time should consider the purchase of these units.

**Reliance on Management and Others.** The Company will serve as manager of the wells in its sole discretion and will make all significant decisions regarding well drilling, completion and operations. The Company will be significantly dependent upon the technical services of its personnel, and the death, disability or separation from service of any such personnel could adversely affect the success of the proposed wells. Further, the Company independently contracts for such services as drilling, testing, completing and equipping the wells, and, consequently, must rely upon the knowledge, skill and expertise of others. The Company will be required to devote to the subject wells only the time and attention that is considers necessary for proper management of such wells.

**Distributions.** Unavailability of, or delay in obtaining, necessary materials or services for drilling or completion of the well or title opinions to date of first production may delay the receipt of income, if any, for significant periods after discovery. Unavailability of, or delay in connection with, pipelines or other transportation systems, delays in obtaining satisfactory contracts and connections for oil and/or natural gas wells, and other unforeseen circumstances, may also postpone the distribution of income. Distributions, if any, will represent both a return on investment and a return of the original capital invested by a participant.

**No Tax Opinion.** The Company will not obtain any opinion of counsel addressing the material federal income tax consequences of an investment in Units. Each investor should consult his or her own personal tax counselor. The Company will provide annual reports on income, expenses and deductible items from the wells.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN THE OFFERING OF THE UNITS OR AN INVESTMENT IN THE UNITS. POTENTIAL SUBSCRIBERS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR UNITS.

## TERMS OF THE OFFERING

### SUBSCRIPTIONS

34.70 Units (\$3,470,000) are being offered. Each full unit is being offered at the purchase price of \$100,000 per unit with  $\frac{1}{2}$  and  $\frac{1}{4}$  units also available. The Company has the right, in its sole discretion, to increase the maximum offering size to 57.14 Units (\$5,714,000).

The purchase price of \$100,000 per Unit is payable at the time a subscription is accepted by Royale Energy.

Units are being offered by the Company through authorized employees of the Company. The Company may elect to engage other broker dealers who are members of FINRA (“Selling Brokers”) that may offer such units on a “Best Efforts” basis. Selling Brokers shall be paid a commission on units sold through them.

---

## WHO SHOULD INVEST

A) Accredited Suitability: The units are intended to be exempt from registration under the Securities Act and applicable state securities laws, pursuant to the exemption from registration requirements contained in Rule 506(c) of the Securities and Exchange Commission. Investment in the units is suitable only for persons who have adequate means of providing for their current needs and personal contingencies and have no need for liquidity in such an investment.

Sales will be made only to accredited investors, as that term is defined in Regulation D, Rule 501, promulgated by the Securities and Exchange Commission. Rule 501 defines accredited investors, and the undersigned warrants that they are one of the following:

- an individual with a net worth of at least \$1 million, not including the value of his or her primary residence;  
OR
- an individual with income exceeding \$200,000 in each of the two most recent calendar years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year;  
OR
- a tax exempt charitable organization, corporation or partnership with assets in excess of \$5 million;  
OR
- an enterprise in which all the equity owners are accredited investors;

Rule 506(c) requires the Company to take reasonable steps to verify that each Purchaser qualifies as an accredited investor. Specifically, Rule 506(c) requires Company to collect documentary information from Purchaser to determine whether Purchaser is an accredited investor, or to obtain independent verification of Purchaser's status from a third party securities broker, investment adviser, lawyer or certified public accountant. It is possible that Purchaser was not required to submit this type of information in past offerings in which Purchaser have participated. However, the nature of this offering and the requirements of Rule 506(c) impose these additional obligations on Company. Company is required to collect and the undersigned Purchaser agrees to provide one of the following as a condition of accepting the subscription:

Verification based on income, by providing copies of any Internal Revenue Service form that reports income, such as Form W-2, Form 1099, Schedule K-1 of Form 1065, and a filed Form 1040;

OR

Verification on net worth, by providing specific types of documentation dated within the prior three months, such as bank statements, brokerage statements, certificates of deposit, tax assessments and a credit report from at least one of the nationwide consumer reporting agencies, and obtaining a written representation;

OR

A written confirmation from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney or a certified public accountant stating that such person or entity has taken reasonable steps to verify that you are an accredited investor within the last three months and has determined that such purchaser is an accredited investor.

## Limited Offering of Units

Because units will be offered without registration under the Securities Act in reliance upon an exemption therefrom, a purchaser will be required to represent that he knows that the units have not been registered under the Securities Act, that he has no right to require registration under the Securities Act should he desire to resell the units, and that he understands that his right to transfer his units will be subject to restrictions in the Agreement against transfer.

---

## **How to Subscribe**

An eligible investor may subscribe by properly completing, executing, and delivering the following to the Company:

- (a) An executed Subscription Agreement in the form attached as an exhibit to this Memorandum; and
- (b) Payment in an amount equal to the subscription amount of the Units to be purchased payable to the order of “Royale Energy.”

Subscriptions are payable in full in cash or cash equivalents in United States dollars at the time of subscription. No Subscription Agreement will be accepted after the Termination Date (including an extension thereof). The execution of the Subscription Agreement by an investor constitutes a binding offer to buy the securities subscribed for and an agreement to hold the offer open until the Subscription Agreement is accepted or rejected by the Company. Once an investor subscribes he or she will not have any revocation rights. The Company has the discretion to refuse to accept any Subscription Agreement without liability to the investor.

## **PROPOSED OPERATIONS**

### **GENERAL**

The company will acquire rights, geological and geophysical data and will drill and test the wells on a turnkey basis. The Company will serve as manager under the Turnkey Oil and Gas Drilling Agreement, and under an AAPL Form 610 Model Operating Agreement. Any or all of the Company’s duties as manager may be delegated by the Company to third parties; however, the Company will remain primarily responsible for the performance of such functions as long as it continues to serve as manager. In addition to actual operating costs, the Company will receive an industry standard Operator’s overhead. The overhead charge will be maintained in line with Council for Petroleum Accountants Societies (COPAS) guidelines.

A copy of the Turnkey Oil and Gas Drilling Agreement is attached at the end of this Memorandum. If the actual costs of drilling and completing the subject wells is less or meets the estimated costs, the Company will retain the balance of the proceeds. However, if the drilling and completion costs are more than the estimate, the Company will realize and bear the excess costs. Upon completion of the subject wells, providing they are capable of production of commercial quantities of oil and gas, they will be put into production, and Royale Energy will receive fees for certain services in accordance with the Operating Agreement.

### **Title to Oil and Gas Rights**

Following industry standards, the Company generally acquires oil and natural gas rights without warranty of title except as to claims made by, through, or under the transferor. In these cases, Royale Energy attempts to conduct due diligence as to the rights before the acquisition, but it cannot assure that there will be no losses resulting from title defects or from defects in the assignment of the rights. Title to property most often carries encumbrances, such as royalties, overriding royalties, carried and other similar interests, and contractual obligations, all of which are customary within the oil and natural gas industry. The Company expects to convey legal title to the working interest in the Subject Wells to Royale DWI investors, LLC (“RDI”) to serve as nominee holder for the benefit of the investors. Title for each investors ownership in these Subject Wells will be held by “RDI”, as the title holder for the benefit of the respective investors.

### **Duties of the Manager**

The Company will serve as manager under the Turnkey Oil & Gas Drilling Agreement and the Operating Agreement. Any or all of the Company’s duties as manager may be delegated by the Company to third parties; however, the Company will remain primarily responsible for the performance of such functions as long as it continues to serve as manager. In addition to actual operating costs, the Company will receive an industry standard Operator’s overhead. The overhead charge will be maintained in line with Council for Petroleum Accountants Societies (COPAS) guidelines.



---

Participants will pay their proportionate share of operating expenses for the well. Operating expenses will be charged against revenues in accordance with generally accepted accounting procedures (GAAP), and in accordance with the accounting procedures included in the Operating Agreement (COPAS). Each month the Company will, after deduction of operating expenses, distribute net operating revenues to each Participant in accordance with his prorated interest in accordance with the Operating Agreement. The Company will collect all net revenues from the sale of oil and gas production and pay them directly to the working interest owners, less operating expenses, royalties and production taxes.

### **Reservation of Right**

We reserve the right to move a proposed well or substitute a comparable drilling site for a proposed well to be drilled in this venture if additional geological information is obtained or good title to any rights cannot be acquired. Any substituted well locations or drill sites will compare favorably with the general character of the Prospect described regarding degree of risk, drilling depth and cost.

### **Reports**

The Company will maintain accurate records relating to all phases of the operations and will make them available to each Participant on reasonable notice at its offices. Progress reports will be mailed to Participants until such time as the Company determines that such reports and statements are no longer needed to fully inform Participants of the prospect's operations. During the actual drilling operations the Company will transmit to all Participants regular progress reports. The Company also will arrange for the preparation of information needed by Participants for the filing of tax returns, which will be transmitted within a reasonable period after the close of each calendar year.

The Company shall furnish the Investor an annual summary of activities including, but not limited to, information as to the Investor's working interest, revenue and other such similar information regarding Investor's participation. In addition, the Company shall provide Investor well updates, including: date of first sales' notice, total depth updates, and completion updates. Investor may reasonably request such other information from the Company to assist in evaluation of its investment.

### **Insurance**

The Company has liability insurance with respect to drilling and managing the wells involved. Additionally, the Company will indemnify and hold harmless the working interest holders from any claims for damages in the project.

### **Limited Substitution of Working Interests Represented in the Units**

It is understood and agreed that upon the execution hereof, the parties have agreed upon the wells to be drilled and their location (the prospect). It is further understood and agreed, however, that as a general practice upon the drilling and completion of the first well, or at any point during the drilling, should unfavorable engineering or geological conditions be encountered, or the prospect for any other reason be determined not to be economically feasible, then the Company may terminate the drilling of those particular rights.

In such case, any remaining sums, as not yet paid out at that time, may be used in the acquisition and drilling of another prospect or well. The percentage of ownership may be adjusted upward or downward to conform to the "equivalent cost" of drilling, and the selection of the prospect shall be at the Company's sole discretion.

The Company shall be free to make sales or assignments of any other portion of its working interest as it may choose.

## **ASSESSMENTS AND ADDITIONAL OPERATIONS**

**Equipment Assessments:** The Turnkey Oil and Gas Drilling Agreement for this program include such operation and equipment necessary for testing and completion of the initial primary target zone. In the event multiple potential pay zones are encountered in the wellbore, the Unit Holder shall have the right, but not the obligation, to participate in all additional zones and equipment on a pro-rata basis. When deemed necessary or prudent, the company will provide notice to the Unit Holder describing the proposed operation, cost and the timing or work to be performed, whereupon the Unit Holder shall have 30 days in which to elect to participate in such work and share in production and revenue, if any, from the resulting operation.

---

## CONFLICTS OF INTEREST

The contemplated activities will involve decisions by us on behalf of ourselves and you, and such decisions will lack the benefits of arm's length bargaining and will necessarily involve conflicts of interest.

Most of the areas of conflicts of interest which are described below are common to many oil and gas drilling programs.

**Our Other Activities.** We will be free to engage in other drilling projects, including projects in the area of the wells herein described. Participants will be allowed to participate in any such project in the area of the wells by providing us notice within 60 days of the offering of such project.

**Receipt of Compensation Regardless of Profitability.** We may receive compensation from drilling and operation of the wells regardless of whether the wells operate at a profit or a loss.

**Independent Decisions by the Company.** We decided on substantially all of the terms of this offering and of managing the wells prior to the beginning of the Offering. Such terms included, among others, the terms of the Drilling and Operating Agreement and estimations of the costs of drilling, testing and, if appropriate, completing of the proposed wells. These terms were not negotiated with the Participants and may be deemed to have been entered into without the benefit of arms-length negotiations.

**Sale of Oil and/or Gas.** Conflicts of interest may also arise in connection with the selling of production or of any portion of the properties by us at a later date. The right to allocate production among prospective purchasers, including the Company, and to negotiate the terms therefore may permit us to obtain other benefits. We will try to obtain the highest competitive price for any production obtained.

## COMPETITION, MARKETS, AND REGULATIONS

**Competition.** The oil and gas industry in the United States is highly competitive. Numerous companies and individuals are engaged in the domestic exploration for oil and gas. Many of the companies and individuals so engaged possess financial resources, facilities, and technical staffs far greater than those of the Company. The Program will encounter competition from both major oil companies and other independent contractors in its effort to secure drilling rigs and equipment necessary in the drilling and completion phases of the wells. Such competition may cause a substantial increase in drilling, completing and operating costs and the procurement costs for the rights and prospects. In addition to these increasing costs, the nonavailability of drilling rigs, tubular goods, drilling crews or certain vital equipment could significantly delay drilling operations.

**Markets.** The marketing of oil and gas produced by the wells and the price that they will bring in the marketplace will be influenced by a number of factors which are beyond the control of the Company. Neither can the effect of these factors be accurately measured. These factors include the extent of domestic production and importation of oil and gas, actions by Organization of Petroleum Exporting Countries, the availability of adequate pipeline and other transportation facilities, the marketing of competitive fuels, and other matters effecting the pricing of production and the availability of a ready market, such as fluctuations in supply and demand and the effect of state and federal regulation of oil and natural gas and their substitute fuels. Consequently, there is no assurance that the Program will be able to market any oil or gas found at favorable prices. We, however, will endeavor to obtain the best competitive price for any oil and gas produced and sold to various purchasers.

---

**State Regulation.** California and other states regulate the production of oil and gas and the conduct of oil and gas operations. State laws and related regulations are generally intended to prevent waste of oil and gas and to protect the correlative rights and opportunities to produce oil and gases between owners of a common reservoir. The amount of oil produced is also regulated by the assignment of allowable rates or production to each well so producing. Additional state regulations require permits before wells are spotted, control well spacing, protect against waste, aid in the conservation of natural gas and oil, and guard against adverse environmental consequences. All permits necessary for Operations will be secured, or caused to be secured, by the Company.

### **PARTICIPATION IN COSTS AND REVENUES**

The capital contributions for all costs prior to installation of production facilities are borne solely by the company from the proceeds of the offering together with corporate capital (i.e. debt, equity, cash flow).

Following the installation of production equipment, all costs, royalties, and revenue are shared proportionally by each party in the percentage described herein.

The distribution of proceeds will be made according to the proportionate share purchased. The revenue, if any, will be distributed monthly. The purchasers are acquiring a direct ownership interest in the wells and are not acquiring any interest in the Company itself. Accordingly, any profit or loss on this investment will be limited to the success or failure of the described wells. Distribution will represent both a return on investment and a return of the original capital invested by Participant.

### **REPORTS AND RECORDS**

**Financial Statements and Progress Reports.** The Company will render drilling progress reports during drilling operations. The Company will then furnish monthly production reports and annually furnish working interest owners with the information necessary to enable each owner of the wells to file his Federal and State income tax returns.

**Books and Records.** The Company will maintain at its principal office and place of business, complete and accurate books of accounts and records of each well, including all agreements, instruments and other documents relating to the operations and activities of the wells.

**Review and Audit.** Upon request, each working interest owner and his duly authorized representative will, at all reasonable times during ordinary business hours and on reasonable notice, have access to such books and records directly relating to the activities conducted under this Memorandum. Such audit or review shall be conducted in the San Diego, California office of the Company during regular business hours. The right of audit and review shall terminate one (1) year from the expiration of this Agreement. Any working interest owner may, at his own expense, cause an audit of the books related to such owner's interest, to be made by a Certified Public Accountant of his own selection.



# BLACK GOLD DEVELOPMENT IV SUBSCRIPTION AGREEMENT

## Royale Turnkey Oil and Gas Drilling Agreement Copy for file - do not mail in

Royale Energy, Inc. (the "Company") conducts the principal business activities of exploration, development, production, and sale of oil and natural gas in the designated areas of mutual interest. This Subscription Agreement ("Agreement") is made between Company and the "Purchaser" whose name and signature appear on the signature page at the end of this Agreement.

### INTRODUCTION

Purpose - the purpose of this Agreement is to allow the parties to conduct the business of exploring, developing and producing oil and natural gas on or under the contract area subject to this Agreement. The contract area is more fully described in the Private Placement Memorandum which is incorporated in this Agreement by reference. The business shall include, without limitation, the purchase, sale, acquisition, disposition, exploration, development, managing and production of oil and natural gas properties in the contract area and all matters incident thereto. To accomplish this, Company will sell to Purchaser a "Working Interest" which is the right and ownership in an oil and/or natural gas leasehold interest that is burdened with its proportionate share of the expenses for development, mineral royalties, operations and/or maintenance of the property. The amount of the Working Interest is represented by Units, and the number of Units of the Working Interest that Purchaser is purchasing is listed on the signature page.

It is understood the net revenues attributed to Purchaser's Working Interest are calculated on the proceeds received from the sale of oil and gas after deducting the Purchaser's Working Interest share of all expenses (including royalty and/or overriding royalty interests) burdening the contract area. Purchaser's Working Interest is subject to the same expense burdens as Company, provided however, Purchaser's Working Interest's royalty/overriding royalty burdens shall be a minimum of twenty percent (20%), proportionately reduced to Purchaser's Working Interest.

Purchaser desires to purchase a Working Interest from Company in certain oil and natural gas rights described in the Private Placement Memorandum. Company has acquired the Working Interest in such oil and natural gas rights, or has the rights to assign such Working Interest, and has agreed to convey such Working Interest to Royale DWI Investors, LLC, as title holder of record for the benefit of Purchaser.

### AGREEMENTS

In consideration of the beneficial interest in the Working Interest represented by units described on the signature page to this Agreement and the Company's obligation to drill, test, log and complete the wells (including plugging and abandoning, if a dry hole) subject to such Working Interest as provided herein ("Drilling Operations"), Purchaser agrees to pay Company the full amount stated on the signature page for the indicated Unit investment (the "Turnkey Price").

### TURNKEY DRILLING

Company agrees to perform the Drilling Operations for the Turnkey Price as a fixed contract no-out total Turnkey Price per Unit as set forth in the Private Placement Memorandum. In the event that the actual costs incurred by Company exceeds the Turnkey Price per Unit, any such excess costs will be paid by Company without recourse to Purchaser. Similarly, if the actual costs incurred by Company are less than the Turnkey Price per Unit set forth in this Agreement, any such difference between the actual cost and the Turnkey Price shall be retained by Company as profit for the services rendered and the risks assumed by it under this Agreement.

The Drilling Operations are to be performed in a diligent and workman-like manner with regard for the rights and interests of Purchaser and other Working Interest owners. Company agrees to abide by and comply with all State and Federal laws and regulations, together with all rules and regulations of any governmental agency having jurisdiction in the area or field in which such operations are performed.

The sums Company prepaid hereunder for intangible drilling

costs, and other costs are required to be prepaid as an advance and not as a refundable deposit for the purpose of providing immediate funds for obtaining rigs on a priority basis, allowing the drilling venture to proceed without delay on current prices before anticipated increases. After completion of Drilling Operations (defined as connection to the meter for a gas completion for each well and test separator for an oil completion), all costs incurred in operating such wells shall be borne by the Purchaser together with the remaining working interest.

If Company makes the decision to plug such well within 90 days of reaching total depth, Company shall do so under the turnkey contract.

For the purposes of this Agreement, "connection to the meter for gas wells and test separator for oil wells" means that point in time when a well, drilled under the terms hereof, has been connected to the gas gathering line or oil tanks and Operator has completed his work thereon, except for plugging, if necessary.

### DRILLING LOCATIONS

The proposed wells in this project are located on the oil and gas rights described in detail in the Private Placement Memorandum under "Technical Description."

Company will choose the drilling sites on the rights. Completion will be attempted on the wells if the information obtained for the drilled formation appears adequately positive. It is anticipated that the wells will be completed. However, there can be no assurance that any well will be commercially productive.

After production operations have commenced, Company, at its sole discretion, may determine that the well is no longer commercial and proceed to abandon and plug such well. Upon abandonment of a producing well, the owners of the working interest shall share plugging expenses in each well, prorated to their percentage of ownership of that well, and any proceeds accruing from the sale of salvage equipment and casing shall be distributed in the same manner.

### RIGHT OF SUBSTITUTION

It is understood and agreed that upon the execution hereof, the parties have agreed upon the wells to be drilled and their location.

It is further understood and agreed, however, that as a general practice upon the drilling and completion of the first well, or at any point during the drilling program, should adverse land, engineering or geological conditions be encountered, or the prospect for any other reason be determined not to be economically feasible, then Company, upon the advice and agreement of Operator, may terminate the drilling of those rights.

In such termination case, any remaining sums as not yet paid out at that time may be used in the acquisition and drilling in another prospect or well having substantially equivalent cost. The percentage of ownership may be adjusted upward or downward to conform to the "equivalent cost" of drilling and the selection of the prospect shall be at Company's discretion.

### TITLE TO PROPERTIES

Royale DWI Investors, LLC shall hold record title to the Working Interest in the subject wells for the benefit of all investors pursuant to the Memorandum including the Working Interest rights acquired by Purchaser hereunder. Purchaser agrees that all rights acquired are subject to all royalties and/or overriding royalties.



## REASSIGNMENT AND SALE

Company shall be free to make sales or assignments of any other portion of its Working and or Net Revenue Interest in the rights as it may choose. In the event Company sells some or all of its' interest in any well, to a third party, it shall have the right to sell Purchaser's interest. In the event of such a sale, Company shall be required to pay Purchaser its' pro rata share of the proceeds on a Net Revenue Interest basis.

## THE OPERATING AGREEMENT

All drilling, completion and production operations will be conducted pursuant to the terms of a model A.A.P.L. Form 610 Operating Agreement (the "Operating Agreement") which governs said activities on each drilling and spacing unit on an individual well basis. Company will act as the manager under the Operating Agreement. Purchaser hereby consents to the entry of the Operating Agreement and hereby appoints Company as the Purchaser's attorney-in-fact to execute the Operating Agreement on the Purchaser's behalf. Company shall provide Purchaser with a copy of any proposed amendment to the Operating Agreement prior to entry of any such amendment.

Company shall at all times have the right to sell and dedicate to any purchaser all of the oil and gas produced from any well drilled pursuant to this Agreement on such terms and conditions as are permitted under the Operating Agreement, provided such price is not less than the prevailing price for gas or oil being paid in the immediate area of the subject wells.

Proposed operations are more fully described in the Private Placement Memorandum under "Proposed Operations."

## ASSESSMENTS

Equipment Assessments: The Turnkey Oil and Gas Drilling Agreement for this program includes such operation and equipment necessary for testing and completion of the initial primary target zone. In the event multiple potential pay zones are encountered in the wellbore, Purchaser shall have the right, but not the obligation, to participate in all additional zones and equipment on a pro-rata basis. When deemed necessary or prudent, Company will provide notice to Purchaser describing the proposed operation, cost and the timing or work to be performed, whereupon Purchaser shall have 30 days in which to elect to participate in such work and share in production and revenue, if any, from the resulting operation.

## CONFIDENTIALITY OF DATA

In connection with the drilling and operations of such wells, Purchaser shall have full and complete access to the location, driller's logs, electrical logs, cores and any other information gained by the drilling of such wells.

All data, information, and other reports furnished under this Agreement and under the Operating Agreement shall be confidential, and Purchaser shall not disclose such information and agrees to exercise reasonable care and precautions to prevent the publication, dissemination, or disclosure of any such data, information, and reports or copies thereof to any third party, whomsoever.

## RELATIONSHIP OF THE PARTIES

This Agreement is not construed as creating any kind of partnership relation between Purchaser and Company or between Purchaser and any other parties of Working Interest from Company. The rights, duties and obligations of the parties hereunder shall at all times be solely as specified in this Agreement and shall under no circumstances be on any basis other than individual and not joint or collective. Each party shall be liable for only its' percent of ownership share of the costs incurred.

## ASSIGNMENT

This Agreement shall be binding upon the parties hereto, their heirs and assigns, with the terms and provisions hereof constituting covenants running with the land and title to the Oil and Gas rights.

## REPORTS

Financial Statements and Progress Reports. Company will render drilling progress reports during drilling operations. Company will furnish monthly production reports and annually furnish Purchaser with the information necessary to enable each Purchaser to file their Federal and State income tax returns.

Books and Records. Company will maintain at its principal office and place of business, complete and accurate books of accounts and records of each well, including all agreements, instruments and other documents relating to the operations and activities of the wells.

Review and Audit. Upon request, each Purchaser and their duly authorized representative will, at all reasonable times, during ordinary business hours and on reasonable notice, have access to such books and records directly relating to the activities conducted under this Agreement. Such audit or review shall be conducted in the San Diego, California office of Company during regular business hours. The right of audit and review shall terminate one (1) year from the expiration of this Agreement. Any Purchaser may, at their own expense, cause an audit of the books related to such Purchaser's interest, to be made by a Certified Public Accountant of their own selection.

## SEVERABILITY

In the event that any provision hereof or any portion of any provision hereof shall be deemed invalid or unenforceable, such invalidity or unenforceability shall not affect any other portion of said provision, nor shall it affect, prejudice, or disturb any other provision in this Agreement, as each provision hereof shall be deemed to be severable.

## BINDING

This Agreement and the interest and rights transferred herein shall inure to the benefit and be binding upon the parties hereto, their successors and their assigns.

## OTHER INSTRUMENTS

The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may be necessary or convenient to effectuate and carry out this Agreement, and that such documents are an integral part of this Agreement.

## PURCHASER'S REPRESENTATIONS AND WARRANTIES

The undersigned Purchaser represents and warrants:

Accredited Suitability: The units are intended to be exempt from registration under the Securities Act and applicable state securities laws, pursuant to the exemption from registration requirements contained in Rule 506(c) of the Securities and Exchange Commission. Investment in the units is suitable only for persons who have adequate means of providing for their current needs and personal contingencies and have no need for liquidity in such an investment.

Sales will be made only to accredited investors, as that term is defined in Regulation D, Rule 501, promulgated by the Securities and Exchange Commission. Rule 501 defines accredited investors, and the undersigned Purchaser warrants that they are one of the following:

an individual with a net worth of at least \$1 million, not including the value of his or her primary residence;

OR

an individual with income exceeding \$200,000 in each of the two most recent calendar years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year;

OR

a tax exempt charitable organization, corporation or partnership with assets in excess of \$5 million;

OR

an enterprise in which all the equity owners are accredited investors;

Rule 506(c) requires the Company to take reasonable steps to verify that each Purchaser qualifies as an accredited investor. Specifically, Rule 506 (c) requires Company to collect documentary information from Purchaser to determine whether Purchaser is an accredited investor, or to obtain independent verification of Purchaser's status from a third party securities broker, investment adviser, lawyer or certified public accountant. It is possible that Purchaser was not required to submit this type of information in past offerings in which Purchaser have participated. However, the nature of this offering and the requirements of Rule 506(c) impose these additional obligations on Company. Company is required to collect and the undersigned Purchaser agrees to provide one of the following as a condition of accepting the subscription:

Verification based on income, by providing copies of any Internal Revenue Service form that reports income, such as Form W-2, Form 1099, Schedule K-1 of Form 1065, and a filed Form 1040;

OR

Verification on net worth, by providing specific types of documentation dated within the prior three months, such as bank statements, brokerage statements, certificates of deposit, tax assessments and a credit report from at least one of the nationwide consumer reporting agencies; and obtaining a written representation;

OR

A) Written confirmation from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney or a certified public accountant stating that such person or entity has taken reasonable steps to verify that Purchaser is an accredited investor within the last three months and has determined that such Purchaser is an accredited investor.

B) That the undersigned Purchaser will be the beneficial owner of the Units to be sold; and that Purchaser is acquiring the Units for their own account, for investment, and with no intention of distributing, reselling, pledging, or otherwise disposing of the Units to any other person; and that they will not, in any event, sell the Units within 6 months after the date of purchase.

C) That the undersigned Purchaser is aware that there is no public market for the Units and it may therefore not be possible to readily liquidate the investment; and that the undersigned Purchaser is able to bear the financial risk of the absence of liquidity of the investment.

D) That the undersigned Purchaser recognizes the speculative nature and inherent risks involved in the investment, and Purchaser has taken full cognizance of and understand all of the risk factors relevant to an investment in the program; specifically, including the risk factors set forth under the caption "Risk Factors" in the Private Placement Memorandum.

E) That the undersigned Purchaser is aware that no Federal or State agency has made any finding or determination as to the fairness for public or private investment, nor any recommendation or endorsement of the Interests.

F) That the undersigned Purchaser and their Representative (if required) have been furnished and have carefully read and understand the Confidential Private Placement Memorandum relating to the offering of the Units (including all appendices thereto) and have had access to all such appendices and other information material to this investment. Purchaser further represents that they and their Representative (if required) have been given the opportunity to ask questions and receive answers

thereto concerning the terms and conditions of this offering and all aspects of this investment, and have been afforded an opportunity to obtain any additional information necessary to verify the accuracy of the information furnished, and no statement, printed material, or inducement given or made by Company is contrary to the information contained in the Confidential Private Placement Memorandum.

G) That the undersigned Purchaser recognizes that there is no assurance that the Internal Revenue Code or the Regulations promulgated thereunder will not be interpreted adversely or changed by legislative action and may hereafter be interpreted or amended in such a manner as to deprive Purchaser of any tax benefit Purchaser may contemplate receiving or may now receive.

H) That the undersigned Purchaser has such knowledge and experience in financial and business matters and in similar programs and investments as will enable Purchaser to utilize the information that is available in connection with the offering of the Units in order to evaluate the risks and merits of this particular investment and thus make an informed investment decision; or that Purchaser, or their Representative, has such knowledge and experience in financial and business matters that Purchaser is capable of evaluating the merits and risks of the prospective investment and that Purchaser is able to bear the economic risk of the investment, which includes the possibility of losing the entire investment. Purchaser hereby represents that Purchaser understands the fundamental aspects of this offering, including the risks. This Agreement is entered into in the State of California, and all matters relating to the validity, construction, interpretation and performance thereunder shall be determined in accordance with the laws of the State of California in San Diego. The parties agree that any disputes arising under this Agreement will be submitted to resolution in that in accordance with the applicable rules of the American Arbitration Association. The parties agree that the arbitration will take place in San Diego County, California. It is further understood and agreed between the parties that all sums due and payable hereunder are due and payable in San Diego, California. It is agreed that the rights, titles and interests of Purchaser hereto shall be fully transferable and assignable in whole or in part provided, however, that each Purchaser hereto will remain primarily liable and responsible for the performance of the duties, responsibilities and obligations undertaken by it under the terms of this Agreement.

**Please indicate your acceptance hereof by signing the following signature page in the space provided and return the signed agreement, verification documents, along with a completed check for the proper amount made payable to ROYALE ENERGY. Upon acceptance of your investment by the Company, the Turnkey Agreement will be fully executed, and a copy returned to you for your records upon receipt of investment payment.**





# Black Gold Development IV SUBSCRIPTION AGREEMENT

## Royale Turnkey Oil and Gas Drilling Agreement To Be Mailed In With Payment

Royale Energy, Inc. (the "Company") conducts the principal business activities of exploration, development, production, and sale of oil and natural gas in the designated areas of mutual interest. This Subscription Agreement ("Agreement") is made between Company and the "Purchaser" whose name and signature appear on the signature page at the end of this Agreement.

### INTRODUCTION

Purpose - the purpose of this Agreement is to allow the parties to conduct the business of exploring, developing and producing oil and natural gas on or under the contract area subject to this Agreement. The contract area is more fully described in the Private Placement Memorandum which is incorporated in this Agreement by reference. The business shall include, without limitation, the purchase, sale, acquisition, disposition, exploration, development, managing and production of oil and natural gas properties in the contract area and all matters incident thereto. To accomplish this, Company will sell to Purchaser a "Working Interest" which is the right and ownership in an oil and/or natural gas leasehold interest that is burdened with its proportionate share of the expenses for development, mineral royalties, operations and/or maintenance of the property. The amount of the Working Interest is represented by Units, and the number of Units of the Working Interest that Purchaser is purchasing is listed on the signature page.

It is understood the net revenues attributed to Purchaser's Working Interest are calculated on the proceeds received from the sale of oil and gas after deducting the Purchaser's Working Interest share of all expenses (including royalty and/or overriding royalty interests) burdening the contract area. Purchaser's Working Interest is subject to the same expense burdens as Company, provided however, Purchaser's Working Interest's royalty/overriding royalty burdens shall be a minimum of twenty percent (20%), proportionately reduced to Purchaser's Working Interest.

Purchaser desires to purchase a Working Interest from Company in certain oil and natural gas rights described in the Private Placement Memorandum. Company has acquired the Working Interest in such oil and natural gas rights, or has the rights to assign such Working Interest, and has agreed to convey such Working Interest to Royale DWI Investors, LLC, as title holder of record for the benefit of Purchaser.

### AGREEMENTS

In consideration of the beneficial interest in the Working Interest represented by units described on the signature page to this Agreement and the Company's obligation to drill, test, log and complete the wells (including plugging and abandoning, if a dry hole) subject to such Working Interest as provided herein ("Drilling Operations"), Purchaser agrees to pay Company the full amount stated on the signature page for the indicated Unit investment (the "Turnkey Price").

### TURNKEY DRILLING

Company agrees to perform the Drilling Operations for the Turnkey Price as a fixed contract no-out total Turnkey Price per Unit as set forth in the Private Placement Memorandum. In the event that the actual costs incurred by Company exceeds the Turnkey Price per Unit, any such excess costs will be paid by Company without recourse to Purchaser. Similarly, if the actual costs incurred by Company are less than the Turnkey Price per Unit set forth in this Agreement, any such difference between the actual cost and the Turnkey Price shall be retained by Company as profit for the services rendered and the risks assumed by it under this Agreement.

The Drilling Operations are to be performed in a diligent and workman-like manner with regard for the rights and interests of Purchaser and other Working Interest owners. Company agrees to abide by and comply with all State and Federal laws and regulations, together with all rules and regulations of any governmental agency having jurisdiction in the area or field in which such operations are performed.

The sums Company prepaid hereunder for intangible drilling costs, and other

costs are required to be prepaid as an advance and not as a refundable deposit for the purpose of providing immediate funds for obtaining rigs on a priority basis, allowing the drilling venture to proceed without delay on current prices before anticipated increases. After completion of Drilling Operations (defined as connection to the meter for a gas completion for each well and test separator for an oil completion), all costs incurred in operating such wells shall be borne by the Purchaser together with the remaining working interest.

If Company makes the decision to plug such well within 90 days of reaching total depth, Company shall do so under the turnkey contract.

For the purposes of this Agreement, "connection to the meter for gas wells and test separator for oil wells" means that point in time when a well, drilled under the terms hereof, has been connected to the gas gathering line or oil tanks and Operator has completed his work thereon, except for plugging, if necessary.

### DRILLING LOCATIONS

The proposed wells in this project are located on the oil and gas rights described in detail in the Private Placement Memorandum under "Technical Description."

Company will choose the drilling sites on the rights. Completion will be attempted on the wells if the information obtained for the drilled formation appears adequately positive. It is anticipated that the wells will be completed. However, there can be no assurance that any well will be commercially productive.

After production operations have commenced, Company, at its sole discretion, may determine that the well is no longer commercial and proceed to abandon and plug such well. Upon abandonment of a producing well, the owners of the working interest shall share plugging expenses in each well, prorated to their percentage of ownership of that well, and any proceeds accruing from the sale of salvage equipment and casing shall be distributed in the same manner.

### RIGHT OF SUBSTITUTION

It is understood and agreed that upon the execution hereof, the parties have agreed upon the wells to be drilled and their location.

It is further understood and agreed, however, that as a general practice upon the drilling and completion of the first well, or at any point during the drilling program, should adverse land, engineering or geological conditions be encountered, or the prospect for any other reason be determined not to be economically feasible, then Company, upon the advice and agreement of Operator, may terminate the drilling of those rights.

In such termination case, any remaining sums as not yet paid out at that time may be used in the acquisition and drilling in another prospect or well having substantially equivalent cost. The percentage of ownership may be adjusted upward or downward to conform to the "equivalent cost" of drilling and the selection of the prospect shall be at Company's discretion.

### TITLE TO PROPERTIES

Royale DWI Investors, LLC shall hold record title to the Working Interest in the subject wells for the benefit of all investors pursuant to the Memorandum including the Working Interest rights acquired by Purchaser hereunder. Purchaser agrees that all rights acquired are subject to all royalties and/or overriding royalties.



---

## Black Gold Development IV Agreement To Be Mailed With Payment

---

### REASSIGNMENT AND SALE

Company shall be free to make sales or assignments of any other portion of its Working and or Net Revenue Interest in the rights as it may choose. In the event Company sells some or all of its' interest in any well, to a third party, it shall have the right to sell Purchaser's interest. In the event of such a sale, Company shall be required to pay Purchaser its' pro rata share of the proceeds on a Net Revenue Interest basis.

### THE OPERATING AGREEMENT

All drilling, completion and production operations will be conducted pursuant to the terms of a model A.A.P.L. Form 610 Operating Agreement (the "Operating Agreement") which governs said activities on each drilling and spacing unit on an individual well basis. Company will act as the manager under the Operating Agreement. Purchaser hereby consents to the entry of the Operating Agreement and hereby appoints Company as the Purchaser's attorney-in-fact to execute the Operating Agreement on the Purchaser's behalf. Company shall provide Purchaser with a copy of any proposed amendment to the Operating Agreement prior to entry of any such amendment.

Company shall at all times have the right to sell and dedicate to any purchaser all of the oil and gas produced from any well drilled pursuant to this Agreement on such terms and conditions as are permitted under the Operating Agreement, provided such price is not less than the prevailing price for gas or oil being paid in the immediate area of the subject wells.

Proposed operations are more fully described in the Private Placement Memorandum under "Proposed Operations."

### ASSESSMENTS

Equipment Assessments: The Turnkey Oil and Gas Drilling Agreement for this program includes such operation and equipment necessary for testing and completion of the initial primary target zone. In the event multiple potential pay zones are encountered in the wellbore, Purchaser shall have the right, but not the obligation, to participate in all additional zones and equipment on a pro-rata basis. When deemed necessary or prudent, Company will provide notice to Purchaser describing the proposed operation, cost and the timing or work to be performed, whereupon Purchaser shall have 30 days in which to elect to participate in such work and share in production and revenue, if any, from the resulting operation.

### CONFIDENTIALITY OF DATA

In connection with the drilling and operations of such wells, Purchaser shall have full and complete access to the location, driller's logs, electrical logs, cores and any other information gained by the drilling of such wells.

All data, information, and other reports furnished under this Agreement and under the Operating Agreement shall be confidential, and Purchaser shall not disclose such information and agrees to exercise reasonable care and precautions to prevent the publication, dissemination, or disclosure of any such data, information, and reports or copies thereof to any third party, whomsoever.

### RELATIONSHIP OF THE PARTIES

This Agreement is not construed as creating any kind of partnership relation between Purchaser and Company or between Purchaser and any other parties of Working Interest from Company. The rights, duties and obligations of the parties hereunder shall at all times be solely as specified in this Agreement and shall under no circumstances be on any basis other than individual and not joint or collective. Each party shall be liable for only its' percent of ownership share of the costs incurred.

### ASSIGNMENT

This Agreement shall be binding upon the parties hereto, their heirs and assigns, with the terms and provisions hereof constituting covenants running with the land and title to the Oil and Gas rights.

### REPORTS

Financial Statements and Progress Reports. Company will render drilling progress reports during drilling operations. Company will furnish monthly production reports and annually furnish Purchaser with the information necessary to enable each Purchaser to file their Federal and State income tax returns.

Books and Records. Company will maintain at its principal office and place of business, complete and accurate books of accounts and records of each well, including all agreements, instruments and other documents relating to the operations and activities of the wells.

Review and Audit. Upon request, each Purchaser and their duly authorized representative will, at all reasonable times, during ordinary business hours and on reasonable notice, have access to such books and records directly relating to the activities conducted under this Agreement. Such audit or review shall be conducted in the San Diego, California office of Company during regular business hours. The right of audit and review shall terminate one (1) year from the expiration of this Agreement. Any Purchaser may, at their own expense, cause an audit of the books related to such Purchaser's interest, to be made by a Certified Public Accountant of their own selection.

### SEVERABILITY

In the event that any provision hereof or any portion of any provision hereof shall be deemed invalid or unenforceable, such invalidity or unenforceability shall not affect any other portion of said provision, nor shall it affect, prejudice, or disturb any other provision in this Agreement, as each provision hereof shall be deemed to be severable.

### BINDING

This Agreement and the interest and rights transferred herein shall inure to the benefit and be binding upon the parties hereto, their successors and their assigns.

### OTHER INSTRUMENTS

The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may be necessary or convenient to effectuate and carry out this Agreement, and that such documents are an integral part of this Agreement.

### PURCHASER'S REPRESENTATIONS AND WARRANTIES

The undersigned Purchaser represents and warrants:

Accredited Suitability: The units are intended to be exempt from registration under the Securities Act and applicable state securities laws, pursuant to the exemption from registration requirements contained in Rule 506(c) of the Securities and Exchange Commission. Investment in the units is suitable only for persons who have adequate means of providing for their current needs and personal contingencies and have no need for liquidity in such an investment.

Sales will be made only to accredited investors, as that term is defined in Regulation D, Rule 501, promulgated by the Securities and Exchange Commission. Rule 501 defines accredited investors, and the undersigned Purchaser warrants that they are one of the following:

an individual with a net worth of at least \$1 million, not including the value of his or her primary residence;

OR

an individual with income exceeding \$200,000 in each of the two most recent calendar years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year;

OR

---

## Black Gold Development IV Agreement To Be Mailed With Payment

---

a tax exempt charitable organization, corporation or partnership with assets in excess of \$5 million;

OR

an enterprise in which all the equity owners are accredited investors.

Rule 506(c) requires the Company to take reasonable steps to verify that each Purchaser qualifies as an accredited investor. Specifically, Rule 506(c) requires Company to collect documentary information from Purchaser's to determine whether Purchaser is an accredited investor, or to obtain independent verification of Purchaser's status from a third party securities broker, investment adviser, lawyer or certified public accountant. It is possible that Purchaser was not required to submit this type of information in past offerings in which Purchaser have participated. However, the nature of this offering and the requirements of Rule 506(c) impose these additional obligations on Company. Company is required to collect and the undersigned Purchaser agrees to provide one of the following as a condition of accepting the subscription:

Verification based on income, by providing copies of any Internal Revenue Service form that reports income, such as Form W-2, Form 1099, Schedule K-1 of Form 1065, and a filed Form 1040;

OR

Verification on net worth, by providing specific types of documentation dated within the prior three months, such as bank statements, brokerage statements, certificates of deposit, tax assessments and a credit report from at least one of the nationwide consumer reporting agencies; and obtaining a written representation;

OR

A) Written confirmation from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney or a certified public accountant stating that such person or entity has taken reasonable steps to verify that Purchaser is an accredited investor within the last three months and has determined that such Purchaser is an accredited investor.

B) That the undersigned Purchaser will be the beneficial owner of the Units to be sold; and that Purchaser is acquiring the Units for their own account, for investment, and with no intention of distributing, reselling, pledging, or otherwise disposing of the Units to any other person; and that they will not, in any event, sell the Units within 6 months after the date of purchase.

C) That the undersigned Purchaser is aware that there is no public market for the Units and it may therefore not be possible to readily liquidate the investment; and that the undersigned Purchaser is able to bear the financial risk of the absence of liquidity of the investment.

D) That the undersigned Purchaser recognizes the speculative nature and inherent risks involved in the investment, and Purchaser has taken full cognizance of and understand all of the risk factors relevant to an investment in the program; specifically, including the risk factors set forth under the caption "Risk Factors" in the Private Placement Memorandum.

E) That the undersigned Purchaser is aware that no Federal or State agency has made any finding or determination as to the fairness for public or private investment, nor any recommendation or endorsement of the Interests.

F) That the undersigned Purchaser and their Representative (if required) have been furnished and have carefully read and understand the Confidential Private Placement Memorandum relating to the offering of the Units (including all appendices thereto) and have had access to all such appendices and other information material to this investment. Purchaser further represents that they and their Representative (if required) have been given the opportunity to ask questions and receive answers thereto concerning the terms and conditions of this offering and all aspects of this

investment, and have been afforded an opportunity to obtain any additional information necessary to verify the accuracy of the information furnished, and no statement, printed material, or inducement given or made by Company is contrary to the information contained in the Confidential Private Placement Memorandum.

G) That the undersigned Purchaser recognizes that there is no assurance that the Internal Revenue Code or the Regulations promulgated thereunder will not be interpreted adversely or changed by legislative action and may hereafter be interpreted or amended in such a manner as to deprive Purchaser of any tax benefit Purchaser may contemplate receiving or may now receive.

H) That the undersigned Purchaser has such knowledge and experience in financial and business matters and in similar programs and investments as will enable Purchaser to utilize the information that is available in connection with the offering of the Units in order to evaluate the risks and merits of this particular investment and thus make an informed investment decision; or that Purchaser, or their Representative, has such knowledge and experience in financial and business matters that Purchaser is capable of evaluating the merits and risks of the prospective investment and that Purchaser is able to bear the economic risk of the investment, which includes the possibility of losing the entire investment. Purchaser hereby represents that Purchaser understands the fundamental aspects of this offering, including the risks. This Agreement is entered into in the State of California, and all matters relating to the validity, construction, interpretation and performance thereunder shall be determined in accordance with the laws of the State of California in San Diego. The parties agree that any disputes arising under this Agreement will be submitted to resolution in that in accordance with the applicable rules of the American Arbitration Association. The parties agree that the arbitration will take place in San Diego County, California. It is further understood and agreed between the parties that all sums due and payable hereunder are due and payable in San Diego, California. It is agreed that the rights, titles and interests of Purchaser hereto shall be fully transferable and assignable in whole or in part provided, however, that each Purchaser hereto will remain primarily liable and responsible for the performance of the duties, responsibilities and obligations undertaken by it under the terms of this Agreement.

**Please indicate your acceptance hereof by signing the following signature page in the space provided and return the signed Agreement, verification documents, along with a completed check for the proper amount made payable to ROYALE ENERGY. Upon acceptance of your investment by the Company, the Turnkey Agreement will be fully executed, and a copy returned to you for your records upon receipt of investment payment.**

