



May 10, 2023

Mr. F. Jonathan Rice
Office of Conservation
Engineering Regulatory Division
P. O. Box 94275
Baton Rouge, LA 70804-9275

Re: Public Comments
Venting and Flaring of Natural Gas
Reference Docket No. R. A. 2023-13

Dear Mr. Rice:

I am submitting this public comment in response to the proposed rule by the Louisiana Department of Natural Resources (LDNR) to prohibit the venting or flaring of natural gas. My company, Ryca Energy LLC, is the owner and operator of stripper oil wells located in Concordia, LaSalle, and Winn Parishes, LA. We produce approximately 300 barrels of oil per day and employ 24 people. This proposal would put our company in peril as well as other stripper producers in the state and drive us out of business. Of the approximate 1,000,000 wells in the US, 76% or 760,000 are stripper wells, accounting for approximately 15% of total US production. A study in 2015 indicated that there were over 20,000 stripper wells in Louisiana making up a little over 14% of the state's production. These wells averaged 1.2 barrels of oil per day. The associated gas volumes with stripper oil wells are exceptionally small. In most cases, the gas volumes are too small to be measured, and not enough to burn in a compressor to sell into a pipeline or burn in a generator. As indicated, the proposed rule will have a devastating effect on stripper producers, local communities, and the State of Louisiana. The cost to comply is much greater than the margins that stripper wells allow. These costs include permitting, installation of gathering systems, compression, generation, and a sales line tap (if one exists) just to name a few. In addition, the reporting requirements proposed in the rule are extremely burdensome and will require companies to increase their overhead costs. As a result, companies will go out of business, high paying jobs will be lost, and communities will lose needed revenue as well as the State of Louisiana. The orphan well list in the State of Louisiana will increase substantially.

Just for our company alone, we estimate the cost to comply would require a \$2,000,000.00 capital expenditure. We will also see our overhead and direct operating costs significantly increase. The average employee in our company earns \$97,837.00 per year (inclusive of benefits), and we pay approximately \$271,000.00 per year in severance taxes to the state (based on current oil prices). This will all be lost as a result of this rule. Local communities and the

state lose significantly. The value of these jobs cannot be replaced in the rural communities where they are located.

The proposed rule would likely constitute a regulatory taking under both the Federal Constitution's 5th Amendment and Louisiana's State Constitution Article I, Section 4 and be economically devastating to Louisiana's stripper well operators. Most likely the operators would have to take legal recourse and initiate inverse condemnation. The proposed rule would significantly impact property owners and operators in the oil and natural gas industry. By prohibiting the venting or flaring of natural gas, the LDNR may effectively deprive these parties of a valuable property interest without compensation. This would result in a substantial reduction in property value, potential income, and return on investment for affected parties.

The proposed rule would interfere with the reasonable investment-backed expectations of property owners and operators in the oil and natural gas industry. These parties have made significant investments in their operations based on the understanding that venting and flaring of natural gas were permissible under existing regulations. The sudden imposition of a complete prohibition of such practices may effectively render these investments worthless, creating a significant burden on the property owners and operators.

While the LDNR's objective of protecting the environment and public health is commendable, the proposed rule's blanket prohibition on venting and flaring may disproportionately burden individual property owners and operators. It is crucial to carefully consider less restrictive alternatives that balance the need for environmental protection with the rights of property owners.

In addition to the Federal Constitution's 5th Amendment, Louisiana's State Constitution Article I, Section 4 also provides protection against uncompensated takings. Louisiana courts may interpret this provision a lot more broadly than the federal takings jurisprudence, providing a greater degree of protection against regulatory takings by the state government.

The proposed rule prohibiting the venting or flaring of natural gas would have a particularly severe impact on owners and operators of stripper wells, leading to a near-total loss of economic value for these small Louisiana businesses. Stripper wells, which are characterized by their low production rates, typically rely on venting and flaring as a necessary means of managing the natural gas produced alongside oil. Due to the low volume of gas generated, it is often economically unfeasible to invest in the infrastructure required for gas capture, processing, and transportation. Consequently, venting and flaring are critical practices for maintaining the viability of these wells.

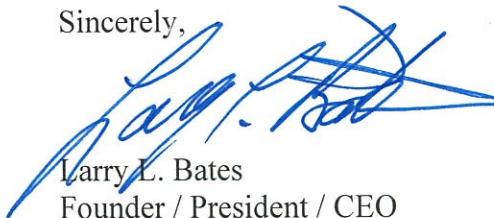
Under the proposed rule, the prohibition of venting and flaring would render many stripper wells uneconomical to operate. As a result, owners and operators may be forced to shut down these wells prematurely, leading to a near-total loss of economic value. This loss would encompass the stranded investments made in acquiring the wells, drilling, production equipment, infrastructure, and any other associated costs. Additionally, the potential income generated from the sale of oil extracted from these wells would be significantly diminished or eliminated, further exacerbating the financial burden on the owners and operators.

The complete or near-total loss of economic value for stripper well owners and operators should be a key consideration in evaluating the potential regulatory takings implications of the proposed rule. Given the disproportionate impact on these parties, the proposed rule may be seen as interfering with their investment-backed expectations and depriving them of the economically viable use of their property without just compensation.

In conclusion, I respectfully request the Louisiana Department of Natural Resources reconsider the proposed rule in light of the potential regulatory takings implications under both the Federal Constitution's 5th Amendment and Louisiana's State Constitution Article I, Section 4. Failure to take into consideration these economic concerns in this rulemaking process could lead to lengthy litigation regarding regulatory takings.

Thank you for considering my concerns and comments.

Sincerely,



Larry L. Bates
Founder / President / CEO
Ryca Energy LLC