

State weighs Exxon Mobil's CO2 venting

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Some of the carbon dioxide produced at Exxon Mobil's Shute Creek natural gas plant near LaBarge is carried by pipeline for enhanced oil recovery projects, but much of the greenhouse gas is vented into the atmosphere. Photo by Jeff Gearino, Star-Tribune file photo.

A high-profile case regarding carbon dioxide that is vented at Exxon Mobil's Shute Creek gas plant in Lincoln County will be continued until next month.

Exxon Mobil vents about 70 million cubic feet of CO₂ per day, and it sells another 225 million cubic feet per day to enhanced oil recovery operations in Colorado and Wyoming. The Wyoming Oil and Gas Conservation Commission is considering whether to allow Exxon Mobil to continue venting the CO₂ based on whether the gas is "marketable" to oil producers.

Exxon Mobil insists that the vented CO₂ is too dirty and at too low pressure to sell to enhanced oil recovery operators, while some of those operators insist they are willing buyers.

"You say it's not marketable, and we have people coming in front of the commission who want to buy it," Gov. Dave Freudenthal told Exxon Mobil representatives during a hearing in Casper on Tuesday.

Freudenthal said the commissioners will make an independent decision about the marketability of the CO₂.

"What's interesting is a question of whether or not it meets Exxon's desired rate of return," Freudenthal said, adding that's not a consideration for the commission.

Exxon Mobil also insists that not enough pipeline capacity exists to sell all the CO₂ generated from the Shute Creek gas plant -- even after it increases CO₂ sales and pipeline capacity to about 340 million cubic feet per day.

A University of Wyoming professor disputed that notion.

Brian F. Towler, UW professor of chemical and petroleum engineering, testified that a study of the CO₂ pipeline network suggests it could reasonably handle up to 600 million cubic feet per day.

"The pipeline has a lot larger capacity than it was designed for and is currently being used for," Towler said.

He said the 600 million cubic feet per day scenario was based on modeling to see what would happen if there were additional outlets for the Hartzog Draw and Beaver Creek oil fields in the Powder River and

Wind River basins. That would require some additional compression investments, he said.

"Since the gas is in liquid form, it's not difficult to add pumps to increase pressure. There's plenty of spare capacity in the pipeline," Towler said.

Exxon noted that Towler's analysis looks at the CO2 pipeline network as a whole, but doesn't consider the fact that sections of the pipeline are under different ownership.

With the high price of oil, companies are eager to get their hands on CO2 supply contracts. The gas can be injected into old oil fields to increase production.

In a highly competitive scramble for CO2 from Shute Creek, Merit Energy Corp. was unable to renew its long-term contract with Exxon Mobil. Merit asked commissioners to enforce their authority to make sure available CO2 is not wasted.

Holland & Hart attorney Jack Palma, representing Exxon Mobil, said the company is spending some \$70 million to ensure more volumes of CO2 are available to oil producers. The remaining million cubic feet that it intends to continue venting isn't "saleable," Palma said.

Exxon Mobil, and ConocoPhillips' Lost Cabin gas plant, each must obtain an annual permit from the oil and gas commission to continue venting CO2. Last month, the commission granted ConocoPhillips a six-month permit based on assurances that it will begin selling the majority of the CO2 it currently vents.

The commission may decide in June whether to modify Exxon Mobil's permit to vent CO2.

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