Installing Vapor Recovery Units to Reduce Methane Losses

Lessons Learned from Natural Gas STAR

Producers Technology Transfer Workshop

Devon Energy and EPA’s Natural Gas STAR Program
Casper, Wyoming
August 30, 2005
Vapor Recovery Units: Agenda

- Methane Losses
- Methane Savings
- Is Recovery Profitable?
- Industry Experience
- Discussion Questions
Methane Losses from Storage Tanks

Storage tanks are responsible for 6% of methane emissions in natural gas and oil production sector.

- 96% of tank losses occur from tanks without vapor recovery.

Inventory of U.S. Greenhouse Gas Emissions and Sinks 1990 - 2003:

- Pneumatic Devices: 61 Bcf
- Meters and Pipeline Leaks: 10 Bcf
- Gas Engine Exhaust: 12 Bcf
- Well Venting and Flaring: 18 Bcf
- Dehydrators and Pumps: 17 Bcf
- Other Sources: 21 Bcf
- Storage Tank Venting: 9 Bcf

Reducing Emissions, Increasing Efficiency, Maximizing Profits
Sources of Methane Losses

★ 9 Bcf methane lost from storage tanks each year from producers*

★ Flash losses - occur when crude is transferred from a gas-oil separator at higher pressure to an atmospheric pressure storage tank

★ Working losses - occur when crude levels change and when crude in tank is agitated

★ Standing losses - occur with daily and seasonal temperature and pressure changes

Methane Savings: Vapor Recovery Units

- Capture up to 95% of hydrocarbon vapors vented from tanks
- Recovered vapors have higher Btu content than pipeline quality natural gas
- Recovered vapors are more valuable than natural gas and have multiple uses
  - Re-inject into sales pipeline
  - Use as on-site fuel
  - Send to processing plants for recovering NGLs
Types of Vapor Recovery Units

🌟 Conventional vapor recovery units (VRUs)

- Use rotary compressor to suck vapors out of atmospheric pressure storage tanks
- Require electrical power or engine

🌟 Venturi ejector vapor recovery units (EVRU™) or Vapor Jet

- Use Venturi jet ejectors in place of rotary compressors
- Do not contain any moving parts
- EVRU™ requires source of high pressure gas and intermediate pressure system
- Vapor Jet requires high pressure water motive
Standard Vapor Recovery Unit

Source: Evans & Nelson (1968)
Vapor Recovery Installations
Vapor Recovery Installations
Vapor Recovery Installations
Vapor Recovery Installations
Vapor Recovery Installations
Vapor Recovery Installations
Vapor Recovery Installations
Venturi Jet Ejector*

Pressure Indicator
Temp Indicator
EVRU™ Suction Pressure
(-0.05 to 0 psig)
Low-Pressure Vent Gas from Tanks
(0.10 to 0.30 psig)
Discharge Gas
(~40 psia)

High-Pressure Motive Gas
(~850 psig)
Flow Safety Valve

*Patented by COMM Engineering
Vapor Recovery with Ejector

Reducing Emissions, Increasing Efficiency, Maximizing Profits
Vapor Jet System*

*Patented by Hy-Bon Engineering
Vapor Jet System*

- Utilizes produced water in closed loop system to effect gas gathering from tanks
- Small centrifugal pump forces water into Venturi jet, creating vacuum effect
- Limited to gas volumes of 77 Mcfd and discharge pressure of 40 psig

*Patented by Hy-Bon Engineering
Criteria for Vapor Recovery Unit Locations

- Steady source and sufficient quantity of losses
  - Crude oil stock tank
  - Flash tank, heater/treater, water skimmer vents
  - Gas pneumatic controllers and pumps
- Outlet for recovered gas
  - Access to low pressure gas pipeline, compressor suction or on-site fuel system
- Tank batteries not subject to air regulations
Quantify Volume of Losses

- Estimate losses from chart based on oil characteristics, pressure and temperature at each location (± 50%)
- Estimate emissions using the E&P Tank Model (± 20%)
- Measure losses using recording manometer and well tester or ultrasonic meter over several cycles (± 5%)

◆ This is the best approach for facility design
Estimated Volume of Tank Vapors

- Vapor Vented from Tanks - cf/Bbl - GOR
- Pressure of Vessel Dumping to Tank (Psig)

- Under 30° API
- 30° API to 39° API
- 40° API and Over

Reducing Emissions, Increasing Efficiency, Maximizing Profits
What is the Recovered Gas Worth?

- Value depends on Btu content of gas
- Value depends on how gas is used
  - On-site fuel - valued in terms of fuel that is replaced
  - Natural gas pipeline - measured by the higher price for rich (higher Btu) gas
  - Gas processing plant - measured by value of NGLs and methane, which can be separated
Value of Recovered Gas

Gross revenue per year = (Q x P x 365) + NGL

Q = Rate of vapor recovery (Mcfd)
P = Price of natural gas
NGL = Value of natural gas liquids
## Value of NGLs

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Btu/gal</td>
<td>MMBtu/gal</td>
<td>$/gal</td>
<td>$/MMBtu</td>
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<tr>
<td>Methane</td>
<td>59,755</td>
<td>0.06</td>
<td>0.32</td>
<td>5.32</td>
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<tr>
<td>Ethane</td>
<td>74,010</td>
<td>0.07</td>
<td>0.42</td>
<td>5.64</td>
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<tr>
<td>Propane</td>
<td>91,740</td>
<td>0.09</td>
<td>0.59</td>
<td>6.43</td>
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<tr>
<td>n Butane</td>
<td>103,787</td>
<td>0.10</td>
<td>0.73</td>
<td>7.06</td>
</tr>
<tr>
<td>iso Butane</td>
<td>100,176</td>
<td>0.10</td>
<td>0.78</td>
<td>7.81</td>
</tr>
<tr>
<td>Pentanes+</td>
<td>105,000</td>
<td>0.11</td>
<td>0.85</td>
<td>8.05</td>
</tr>
</tbody>
</table>

### Vapor Composition

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
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<tbody>
<tr>
<td></td>
<td>Btu/cf</td>
<td>MMBtu/Mcf</td>
<td>$/Mcf</td>
<td>$/MMBtu</td>
<td>Vapor Compostion</td>
<td>Mixture (MMBtu/Mcf)</td>
<td>Value ($/Mcf)</td>
</tr>
<tr>
<td>Methane</td>
<td>1,012</td>
<td>1.01</td>
<td>$5.37</td>
<td>5.32</td>
<td>82%</td>
<td>0.83</td>
<td>$4.41</td>
</tr>
<tr>
<td>Ethane</td>
<td>1,773</td>
<td>1.77</td>
<td>$9.98</td>
<td>5.64</td>
<td>8%</td>
<td>0.14</td>
<td>$0.80</td>
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<tr>
<td>Propane</td>
<td>2,524</td>
<td>2.52</td>
<td>$16.21</td>
<td>6.43</td>
<td>4%</td>
<td>0.10</td>
<td>$0.65</td>
</tr>
<tr>
<td>n Butane</td>
<td>3,271</td>
<td>3.27</td>
<td>$23.08</td>
<td>7.06</td>
<td>3%</td>
<td>0.10</td>
<td>$0.69</td>
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<tr>
<td>iso Butane</td>
<td>3,261</td>
<td>3.26</td>
<td>$25.46</td>
<td>7.81</td>
<td>1%</td>
<td>0.03</td>
<td>$0.25</td>
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<tr>
<td>Pentanes+</td>
<td>4,380</td>
<td>4.38</td>
<td>$35.25</td>
<td>8.05</td>
<td>2%</td>
<td>0.09</td>
<td>$0.70</td>
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<tr>
<td>Total</td>
<td>1,289</td>
<td>1.29</td>
<td>$7.51</td>
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<td></td>
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</table>

1. Natural Gas Price assumed at $5.32/MMBtu as on mar 5 at Henry Hub
2. Prices of individual NGL components are from Platts Oilgram for Mont Belvieu, TX, March 05, 2004
3. Other NGL information obtained from Oil and Gas Journal, refining Report, March 19, 2001, p-83
Cost of a Conventional VRU

<table>
<thead>
<tr>
<th>Capacity (Mcf/d)</th>
<th>Compressor Horsepower</th>
<th>Capital Costs ($)</th>
<th>Installation Costs ($)</th>
<th>O&amp;M Costs ($/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>5-10</td>
<td>15,125</td>
<td>7,560 - 15,125</td>
<td>5,250</td>
</tr>
<tr>
<td>50</td>
<td>10-15</td>
<td>19,500</td>
<td>9,750 - 19,500</td>
<td>6,000</td>
</tr>
<tr>
<td>100</td>
<td>15 - 25</td>
<td>23,500</td>
<td>11,750 - 23,500</td>
<td>7,200</td>
</tr>
<tr>
<td>200</td>
<td>30 - 50</td>
<td>31,500</td>
<td>15,750 - 31,500</td>
<td>8,400</td>
</tr>
<tr>
<td>500</td>
<td>60 - 80</td>
<td>44,000</td>
<td>22,000 - 44,000</td>
<td>12,000</td>
</tr>
</tbody>
</table>

Note: Cost information provided by Partners and VRU manufacturers.
### Financial Analysis for a conventional VRU Project

<table>
<thead>
<tr>
<th>Peak Capacity (Mcf/d)</th>
<th>Installation &amp; Capital Costs (^1) ($/year)</th>
<th>O &amp; M Costs ($/year)</th>
<th>Value of Gas (^2) ($/year)</th>
<th>Annual Savings</th>
<th>Payback Period (^3) (months)</th>
<th>Return on Investment (^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>26,470</td>
<td>5,250</td>
<td>$34,242</td>
<td>$28,992</td>
<td>11</td>
<td>107%</td>
</tr>
<tr>
<td>50</td>
<td>34,125</td>
<td>6,000</td>
<td>$68,484</td>
<td>$62,484</td>
<td>7</td>
<td>182%</td>
</tr>
<tr>
<td>100</td>
<td>41,125</td>
<td>7,200</td>
<td>$136,967</td>
<td>$129,767</td>
<td>4</td>
<td>315%</td>
</tr>
<tr>
<td>200</td>
<td>55,125</td>
<td>8,400</td>
<td>$273,935</td>
<td>$265,535</td>
<td>2</td>
<td>482%</td>
</tr>
<tr>
<td>500</td>
<td>77,000</td>
<td>12,000</td>
<td>$684,836</td>
<td>$672,836</td>
<td>1</td>
<td>874%</td>
</tr>
</tbody>
</table>

\(^1\) Unit Cost plus estimated installation at 75% of unit cost

\(^2\) $7.51 \times \frac{1}{2} \text{ capacity} \times 365, Assumed price includes Btu enriched gas (1.289 MMBtu/Mcf)

\(^3\) Based on 10% Discount rate for future savings. Excludes value of recovered NGLs

\(^4\) Calculated for 5 years
Top Gas STAR Partners for VRUs

Top five companies for emissions reductions using VRUs in 2003

<table>
<thead>
<tr>
<th>Company</th>
<th>2003 Annual Reductions (Mcf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner 1</td>
<td>1,333,484</td>
</tr>
<tr>
<td>Partner 2</td>
<td>962,078</td>
</tr>
<tr>
<td>Partner 3</td>
<td>661,381</td>
</tr>
<tr>
<td>Partner 4</td>
<td>521,549</td>
</tr>
<tr>
<td>Partner 5</td>
<td>403,454</td>
</tr>
</tbody>
</table>
Industry Experience: Chevron

⋆ Chevron installed eight VRUs at crude oil stock tanks in 1996

<table>
<thead>
<tr>
<th>Methane Loss Reduction (Mcf/unit/yr)</th>
<th>Approximate Savings per Unit¹</th>
<th>Total Savings</th>
<th>Total Capital and Installation Costs</th>
<th>Payback</th>
</tr>
</thead>
<tbody>
<tr>
<td>21,900</td>
<td>$43,800</td>
<td>$525,600</td>
<td>$240,000</td>
<td>&lt;1 yr</td>
</tr>
</tbody>
</table>

¹ Assumes a $3 per Mcf gas price; excludes value of recovered NGLs. Refer to the Lessons Learned for more information.
For 5 years Devon employed the Vapor Jet system and recovered more than 55 MMcf of gas from crude oil stock tanks.

Prior to installing the system, tank vapor emissions were ~ 20 Mcfd.

Installed a system with maximum capacity of 77 Mcfd anticipating production increases.

Revenue was about $91,000 with capital cost of $25,000 and operating expenses less than $0.40/Mcf of gas recovered.

This paid back investment in under 2 years.
Lessons Learned

★ Vapor recovery can yield generous returns when there are market outlets for recovered gas
  ◆ Recovered high Btu gas has extra value
  ◆ VRU technology can be highly cost-effective in most general applications
  ◆ Venturi jet models work well in certain niche applications, with reduced O&M costs.

★ Potential for reduced compliance costs can be considered when evaluating economics of VRU, EVRU™ or Vapor Jet
Lessons Learned (cont’d)

★ VRU should be sized for maximum volume expected from storage tanks (rule-of-thumb is to double daily average volume)

★ Rotary vane or screw type compressors recommended for VRUs where Venturi ejector jet designs are not applicable

★ EVRU™ recommended where there is gas compressor with excess capacity

★ Vapor Jet recommended where less than 75 Mcfd and discharge pressures below 40 psig
Discussion Questions

★ To what extent are you implementing this BMP?
★ How can this BMP be improved upon or altered for use in your operation(s)?
★ What is stopping you from implementing this technology (technological, economic, lack of information, focus, manpower, etc.)?