

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

March 25, 2021

Mr. Linn Evans
President and CEO
Rocky Mountain Natural Gas LLC
7001 Mt. Rushmore Rd
Po Box 1400
Rapid City, SD 57709

CPF 1-2021-024-WL

Dear Mr. Evans:

From June 23 to June 25, 2020, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Rocky Mountain Natural Gas LLC's (RMNG) Wolf Creek underground natural gas storage facility in Pitkin County, Colorado.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. **§ 192.12 Underground natural gas storage facilities.**
 - (a) ...
 - (b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*
 - (1) **Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed after July 18, 2017, must meet all provisions of API RP 1171 (incorporated by reference, see § 192.7), and paragraphs (c) and (d) of this section, prior to commencing operations.**

RMNG failed to meet the provisions of API RP 1171, Section 6. Specifically, RMNG did not maintain records indicating that API 5C3 was used for the design of the casings for 2 wells drilled

in 2019 in accordance with API RP 1171, Section 6.3.1 (Section 6.3.1) and as required to be maintained by API RP 1171, Section 6.11.1 (Section 6.11.1).

Section 6.3.2 states in part:

Each string of casing shall be designed in accordance with API 5C3 in order to safely contain the internal casing pressures and withstand the external casing (formation) pressures through the setting depth.

And Section 6.11.1 states in part:

Records of well completion (as-built), well construction and well work activities shall be maintained for the life of the facility. These records shall include, as applicable and available, the items listed below as referenced in each subsection.

...

6.3 Well Casing

...

- Design evaluations.

During the inspection, RMNG was not able to provide records demonstrating that API 5C3 was used for the design of the casings used in wells 9-D2 and 9-D3 that were drilled in 2019. Therefore, RMNG failed to maintain records relevant to Section 6.3.1 and in accordance with the requirements of Section 6.11.1.

2. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed after July 18, 2017, must meet all provisions of API RP 1171 (incorporated by reference, see § 192.7), and paragraphs (c) and (d) of this section, prior to commencing operations.

RMNG failed to meet the provisions of API RP 1171, Section 6. Specifically, RMNG did not maintain records indicating that casing was stored, transported, lifted and installed as specified by the manufacturer and in accordance with API 5C1 and API RP 1171, Section 6.3.6 (Section 6.3.6) and as required to be maintained by API RP 1171, Section 6.11.1 (Section 6.11.1).

API RP 1171, Section 6.3.6 states in part:

Casing shall be stored, transported, lifted and installed as specified by the manufacturer and in accordance with API 5C1.

And Section 6.11.1 states in part:

Records of well completion (as-built), well construction and well work activities shall be maintained for the life of the facility. These records shall include, as applicable and

available, the items listed below as referenced in each subsection.

...

6.3 Well Casing

...

- Design evaluations.

During the inspection, RMNG was not able to provide records to verify that casing was stored, transported, lifted and installed as specified by the manufacturer and in accordance with API 5C1 for casings used in wells 9-D2 and 9-D3 that were drilled in 2019.

3. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed after July 18, 2017, must meet all provisions of API RP 1171 (incorporated by reference, see § 192.7), and paragraphs (c) and (d) of this section, prior to commencing operations.

RMNG failed to meet the provisions of API RP 1171, Section 6. Specifically, RMNG did not maintain records indicating that production casing was compatible with fluid chemical composition for wells 9-D2 and 9-D3, drilled in 2019, in accordance with API RP 1171, Section 6.3.5 (Section 6.3.5) and as required to be maintained by API RP 1171, Section 6.11.1 (Section 6.11.1).

Section 6.3.5 states in part:

The production casing, which provides access to the storage interval, shall be of adequate size and strength to maintain the well integrity and be compatible with fluid chemical composition.

And Section 6.11.1 states in part:

Records of well completion (as-built), well construction and well work activities shall be maintained for the life of the facility. These records shall include, as applicable and available, the items listed below as referenced in each subsection.

...

6.3 Well Casing

...

- Design evaluations.

During the inspection, RMNG was not able to provide records to verify that production casing was compatible with fluid chemical composition for production casings installed in wells 9-D2 and 9-D3 that were drilled in 2019. Therefore, RMNG failed to meet the provisions of Section 6.3.5.

4. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) **Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.**

RMNG failed to meet the provisions of API RP 1171, Section 9. Specifically, RMNG failed to evaluate each annular gas occurrence that exceeded operator-defined threshold levels in accordance with API RP 1171, Section 9.3.2 (Section 9.3.2).

Section 9.3.2 states in part:

The operator shall evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels determined from well integrity evaluation and from risk assessment.

During the inspection, RMNG was not able to provide records of the evaluation of each annular gas occurrence that exceeded operator-defined threshold levels. Therefore, RMNG failed to meet the provisions of Section 9.3.2.

5. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) **Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.**

RMNG failed to meet the provisions of API RP 1171, Section 9. Specifically, RMNG did not have records available to verify that ESD valves could only be reopened manually after an inspection in accordance with Section 9.3.2.

Section 9.3.2 states in part:

A closed storage well safety valve system shall be manually reopened at the site of the valve

after an inspection and not opened from a remote location.

During the inspection, RMNG reported that their ESD valves could only be reopened manually. However, RMNG was not able to provide records to verify that information, as ESD test records or ESD valve specification sheets were not available. Therefore, RMNG failed to meet the provisions of Section 9.3.2.

6. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

RMNG failed to meet the provisions of API RP 1171, Section 9. Specifically, RMNG failed to perform annual surface safety valve function tests between 2018 and 2020 in accordance with Section 9.3.2.

Section 9.3.2 states in part:

Surface and subsurface safety valve systems, where installed, shall be function-tested at least annually.

During the inspection, RMNG was not able to provide records of any surface safety valve function tests between the years 2018 and 2020. Therefore, RMNG failed to meet the provisions of Section 9.3.2.

7. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

RMNG failed to meet the provisions of API RP 1171, Section 9. Specifically, RMNG failed to perform annual wing valve function tests for 2018 and 2019 in accordance with Section 9.3.2.

Section 9.3.2 states in part:

The operator shall test the operation of the master valve and wellhead pipeline isolation

valve at least annually for proper function and ability to isolate the well.

During the inspection, RMNG was not able to provide records of annual wing valve function tests for 2018 and 2019. Therefore, RMNG failed to meet the provisions of Section 9.3.2.

8. § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

RMNG failed to follow its manual of written procedures for conducting activities under §192.12(b). Specifically, RMNG failed to follow its Storage Integrity Management Plan (SIMP), Section 133.6.1.2, during 2019 regarding conducting periodic evaluations at least annually, not to exceed 15 months.

Section 133.6.1.2 stated in part:

The company's Storage Integrity Team will conduct periodic evaluations of PFIM risk model datasets as frequently as needed to assure they contain current and complete information. The frequency of evaluation will be at least annually, not to exceed 15 months or whenever indicated based upon risk factors specific to each component.

During the inspection, RMNG was not able to provide records of the 2019 risk management review process. Therefore, RMNG failed to follow its SIMP, Section 133.6.1.2.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this

time. We advise you to correct the items identified in this letter. Failure to do so will result in Rocky Mountain Natural Gas LLC being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2021-024-WL**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

Robert Burrough
Director, Eastern Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration