



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials
Safety Administration**

840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628
609.771.7800

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

VIA ELECTRONIC MAIL TO: linn.evans@blackhillscorp.com

March 17, 2026

Mr. Linn Evans
President and Chief Executive Officer
Rocky Mountain Natural Gas LLC
7001 Mount Rushmore Road, P.O. Box 1400
Rapid City, South Dakota 57702

CPF 1-2026-037-NOPV

Dear Mr. Evans:

From August 26 through August 28, 2025, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), Eastern Region, 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 (UNGSF) in Pitkin County, Colorado.

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

1. **§ 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 (1st edition), section 9, in accordance with section 192.12(b)(2). Specifically, RMNG failed to visually inspect each wellhead assembly at least annually for leaks in accordance with section 9.3.2 in API RP 1171 in 2021, 2022, 2023, 2024, and 2025.

Section 9.3.2 states in part that “[t]he operator shall visually inspect each wellhead assembly at least annually for leaks.”

During the inspection, RMNG failed to provide records of the visual inspections of each wellhead assembly at least annually for leaks for calendar years 2021, 2022, 2023, 2024, and 2025 for all 10 wells.

Therefore, RMNG failed to meet the provisions of API RP 1171, section 9, in accordance with section 192.12(b)(2).

2. § 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 (1st edition), section 9, in accordance with section 192.12(b)(2). Specifically, RMNG failed to function-test surface and subsurface safety valve systems at least annually from 2021 through 2025 in accordance with section 9.3.2 in API RP 1171.

Section 9.3.2 states in part that “[s]urface and subsurface safety valve systems, where installed, shall be function-tested at least annually.”

During the inspection, RMNG failed to provide records demonstrating that surface valves installed on eight wells and subsurface safety valve systems installed on all ten wells were function-tested at least annually from 2021 through 2025.

Eastern Region previously issued a warning to RMNG for similar non-compliance regarding surface and subsurface safety valve testing in CPF 1-2021-024-WL (Item 6).

Therefore, RMNG failed to meet the provisions of API RP 1171, section 9, in accordance with section 192.12(b)(2).

3. § 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 operations, maintenance, and emergency preparedness and response activities in accordance with section 192.12(c). Specifically, RMNG failed to monitor for the presence of annular gas by measuring and recording annular pressure and/or annular gas flow at least quarterly and failed to maintain records indicating that each annular gas occurrence that exceeded operator-defined threshold levels was evaluated in accordance with its *Operations and Maintenance Manual 30* (01/13/2023) (O&M 30) and section 9.3.2 in API RP 1171 (1st edition).

Section 9.3.2 states in part that “[t]he operator shall monitor for presence of annular gas by measuring and recording annular pressure and/or annular gas flow. 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.”

O&M 30 in section 30.9.1 required RMNG to, at least quarterly, inspect each well “for operability, leaks, mechanical or other faults or unexpected changes indicative of a mechanical fault,” and take further action to verify well integrity if the tubing annulus pressure exceeds 100 psig or surface casing annulus pressure exceeds 40 psig.

During the inspection, RMNG failed to provide records demonstrating it had monitored for the presence of annular gas by measuring and recording annular pressure and/or annular gas flow quarterly between 2021 and Eastern Region’s inspection. RMNG provided only records from late 2023. RMNG also failed to provide records of the evaluation of each annular gas occurrence that exceeded operator-defined threshold levels.

Eastern Region previously issued a warning to RMNG for similar non-compliance regarding annular pressure monitoring in CPF 1-2021-024-WL (Item 4).

Therefore, RMNG failed to follow its manual of written procedures for conducting operations, maintenance, and emergency preparedness and response activities in accordance with section 192.12(c).

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 (1st edition), section 9, in accordance with section 192.12(b)(2). Specifically, RMNG failed to annually test the master valve and wellhead pipeline isolation valves for proper function and ability to isolate the well from 2021 through 2025 in accordance with section 9.3.2. in API RP 1171.

Section 9.3.2 states in part that “[t]he 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 failed to provide records for all 10 wells demonstrating that the master valves and wellhead pipeline isolation valves were tested for proper function and ability to isolate the well.

Eastern Region previously issued a warning to RMNG for similar non-compliance regarding master valve and wellhead pipeline isolation valve testing in CPF 1-2021-024-WL (Item 7).

Therefore, RMNG failed to meet the provisions of API RP 1171 (1st edition), section 9, in accordance with section 192.12(b)(2).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$272,926 per violation per day the violation persists, up to a maximum of \$2,729,245 for a related series of violations. For violation occurring on or after December 28, 2023 and before December 30, 2024, the maximum penalty may not exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to

a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not 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.

We have reviewed the circumstances and supporting documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$163,600 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 38,300
2	\$ 38,300
3	\$ 48,700
4	\$ 38,300

Proposed Compliance Order

With respect to Item 4, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Rocky Mountain Natural Gas LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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).

Following your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 1-2026-037-NOPV**.

Sincerely,

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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

cc: Bill Stephens, Manager, Codes & Standards, RMNG, bill.stephens@blackhillscorp.com
Cindy Baim, Compliance GIS, RMHG, cindy.baim@blackhillscorp.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Rocky Mountain Natural Gas LLC (RMNG) a Compliance Order incorporating the following remedial requirements:

- A. In regard to Item 4 of the Notice, RMNG must, for all 10 storage wells, test the master valve and wellhead pipeline isolation valves for proper function and ability to isolate the well as required by section 9.3.2 in API RP 1171 and submit proof of completion to the Region Director within **120 days** of receipt of the Final Order.
- B. It is requested that Rocky Mountain Natural Gas LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Robert Burrough, Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.