

# KEY PIPELINES

355 Ashland Loop Rd., Ashland, OR 97520  
Ph. 541/488-2920 Fax 541/482-8075

December 21, 2006

James Reynolds  
Pipeline Compliance Registry  
PHMSA- Office of Pipeline Safety  
U.S. Department of Transportation  
400 Seventh Street, S.W.  
Washington, D.C. 20590

Re: CFP No. 5-2005-5016  
Petition for Reconsideration

Dear Mr. Reynolds,

On December 19, we received the Office of Pipeline Safety's Final Order issued on December 11, 2006 in the above-referenced case.

This letter serves as a Petition of Reconsideration of the assessment of the \$7,500 civil penalty that has been charged.

Given your consideration of the nature, circumstances, and gravity of the violation, degree of our culpability, history of our prior offenses, our ability to pay the penalty, our good faith in attempting to achieve compliance and our ability to continue in business, I respectfully request the reduction of the penalty due to the following issues.

Regarding item 1(a), our failure to develop a written IMP by February 18, 2003 as the regulation requires, while good faith efforts were taken, this is in fact, true. While there was a delay in completing the work, in no way did this compromise the testing of the pipeline or the integrity of the overall operation. This said, Key Pipelines, Ltd. is a very small operator whose expenses in the past 18 months associated with the required in line inspection testing and subsequent risk mitigation to assure pipeline integrity has nearly exceeded revenue for the pipeline. Given this, we respectfully request a reduction in the \$5,000 penalty to a level that while still difficult for us to afford, will be more in line with our ability to pay, commensurate with our operation and other operators of a similar size.

Regarding item 1(b), our failure to identify pipeline segments that could affect an HCA, we believe that we have made every effort to adequately identify the appropriate pipeline segments. In fact, we made the prudent decision to undertake the highest and most extensive level of testing across both the HCA segment as well as the entire length of the pipeline. We have done this in good faith, at a great expense and with no negative impact to the integrity of the pipeline to accomplish this responsibility. Given this, we respectfully request that the \$2,500 penalty associated with this citation be eliminated.

While you are considering our request regarding the assessment of penalties, we have aggressively undertaken a set of actions to comply with the pipeline safety regulations and revision of the cited Integrity Management Program procedures/plans.

Thank you for your consideration in this matter. Should you have any questions, please do not hesitate to contact me at 541.488.2920.

Respectfully,

*Umw for Anna Black*

Anna Black

Owner

Key Pipeline, Ltd.

cc: Mr. Chris Hoidal, P.E., Director, Western Region, PHMSA

CERTIFIED MAIL – RETURN RECEIPT