

BEFORE THE
SURFACE TRANSPORTATION BOARD

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FD 36849 (Sub-No. 1)

KANSAS & OKLAHOMA RAILROAD, LLC
– LEASE AND OPERATION EXEMPTION WITH
INTERCHANGE COMMITMENT –
UNION PACIFIC RAILROAD COMPANY

PETITION FOR EXEMPTION
PURSUANT TO 49 U.S.C. § 10502(a)

PUBLIC VERSION

FILED

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TRANSPORTATION BOARD

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Dated: May 4, 2026

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INTRODUCTION AND PROCEDURAL POSTURE

Kansas & Oklahoma Railroad, LLC (“K&O”), a Class III common carrier, tenders this petition for exemption (the “Petition”) pursuant to 49 U.S.C. § 10502 and the corresponding regulations at 49 C.F.R. § 1121 for an exemption from the formal requirements of 49 U.S.C. § 11323(a)(2) to authorize the proposed inter-carrier agreement that is the subject of this proceeding. Specifically, K&O seeks to continue its lease and operation of approximately 165.98 miles of railroad (the “Lines”) owned by Union Pacific Railroad Company (“UP”) extending between – (1) milepost 523.02 at Geneseo, Kansas, and milepost 606.0 at McCracken, Kansas; and (2) milepost 664.5 at Healy, Kansas, and milepost 747.5 at Towner, Colorado.

The subject lease (the “Lease”), dating to 1997, includes (and has included from its inception) a provision restricting K&O’s interchange of traffic with connecting railroad carriers other than UP. K&O has leased and operated the Lines for roughly 25 years. In 2018, K&O and UP agreed to amend (nominally, to

supplement) the 1997 Lease to, among other things: (1) extend its term; and (2) account for the abandonment of various portions of the original leased premises; and in 2019, the parties agreed to adjust the Lease’s interchange commitment provisions as detailed further below.

These 2018 and 2019 Lease modifications were not—contrary to claims made in prior proceedings—intended to block traffic moving to Colorado Pacific Railroad LLC (“CXR”). Rather, as discussed below, K&O sought a modification to the Lease due to an unrelated increase in traffic that triggered what had been a problematic escalator under the 1997 Lease. K&O sought, and UP agreed, to a more predictable and proportionate per-car compensatory model.

These Lease modifications were previously disclosed to the Board in filings submitted in an exemption revocation proceeding initiated by Weskan Grain LLC (“Weskan”), a grain elevator and prospective shipper of agricultural commodities via K&O. Weskan purported to be seeking more favorable rates for shipping grain via K&O to Weskan’s Stockton Siding elevator west of Towner located on its affiliate CXR, and it challenged the Lease’s interchange commitment restrictions as allegedly foreclosing Weskan’s shipping aspirations. *See Kansas & Oklahoma Railroad, Inc. - Acquisition and Operation Exemption - Central Kansas Railway, LLC*, FD 34030 (STB served Feb. 25, 2025) (“*K&O – Weskan*”). Weskan’s revocation efforts, and the continuation of its efforts in proceedings thereafter, appear to be motivated by a mistaken assumption (held at the time by both Weskan and K&O) that the Fourth Supplement’s interchange commitment terms applied to

the westward transportation of grain from Weskan loading sites on K&O at and to the east of Scott City, Kansas (not located on the leased Lines) to Stockton Siding.

In *K&O - Weskan*, the Board ordered K&O to seek after-the-fact authority to implement the Third and Fourth Supplements to the Lease, and to do so by March 27, 2025. The Board directed K&O to file an individual petition for exemption rather than a notice of exemption, noting that the passage of time and the underlying transactions raised questions requiring further Board consideration. In that same Order, the Board urged the parties (K&O, UP and Weskan) to explore a privately negotiated settlement of the underlying dispute involving the 2019 Fourth Supplement interchange commitment terms.

Following the Board's directive in *K&O - Weskan*, K&O filed an individual petition in FD 36849 for authority to lease and operate the Lines under the terms of the 1997 Lease as modified by the 2018 Third Supplement and the 2019 Fourth Supplement. Weskan objected, and a roughly 270-day formal proceeding ensued. In a decision served on March 20, 2026 (the "*March 20 Decision*"), the Board denied K&O's petition without prejudice. The Board held that K&O's subsequently-supplemented petition failed to provide the detailed support necessary to demonstrate that the Lease renewal – inclusive of the Fourth Supplement's interchange commitment – satisfied the individual exemption criteria at 49 U.S.C. § 10502. Specifically, the Board determined that K&O had not adequately demonstrated that formal regulation of the proposed lease transaction was not necessary to carry out the Rail Transportation Policy ("RTP") at 49 U.S.C. §

10101. The Board directed K&O to file a new, fully supported petition or application by May 4, 2026, mandating an evaluation of the interchange commitment consistent with the agency's *Review of Rail Access* framework and an explication of how the transaction warranted authorization under the RTP prong of the Section 10502 individual exemption standard.

Following the *March 20 Decision*, K&O approached UP to discuss the Lease terms, including a possible extension. UP has declined such discussion at this time, but has confirmed that the interchange commitment relief extended to prospective Weskan grain traffic that might move from loading points on the leased Lines to destinations on CXR would continue to apply through the end of the current Lease term (September 2027).

Consequently, K&O presents this Petition to affirmatively demonstrate that the Lease – inclusive of the proposed Third and Fourth Supplements – fully satisfies the RTP and the balancing test established in *Review of Rail Access and Competition Issues—Renewed Petition of the Western Coal Traffic League*, EP 575 (STB served Oct. 30, 2007) (“*Review of Rail Access*”). The record shows that the interchange commitment does not produce the competitive harms that Weskan has alleged or that the Board has concluded may occur.

In accordance with the substantive requirements of 49 C.F.R. § 1121.3 and the Board's *March 20 Decision*, K&O offers the following:

INFORMATION ABOUT THE PROPOSED TRANSACTION

The Petitioner

K&O is a Class III railroad common carrier. K&O's business address is 315 W 3rd Street, Pittsburg, KS 66762. Currently, K&O operates approximately 937 route miles of railroad in western-central Kansas and far-eastern Colorado.

K&O is a short line controlled by Watco. *See Watco Holdings, Inc. – Continuance in Control Exemption – Smoky Ridge R.R.*, FD 36902 (STB served Jan. 8, 2026); *Watco Cos. – Continuance in Control Exemption – Kansas & Oklahoma R.R.*, Docket No. FD 34042 (STB served June 12, 2001).

The Proposed Transaction and Operational/Service Impact

As noted above, the Lines consist of two segments of railroad extending between: (1) milepost 523.02 at Geneseo, Kansas, and milepost 606.0 at McCracken, Kansas; and (2) milepost 664.5 at Healy, Kansas, and milepost 747.5 at Towner, Colorado.

Mandatory Disclosures Concerning the Interchange Commitment

In accordance with 49 C.F.R. § 1121.3(d), K&O hereby certifies that the subject lease transaction involves contract terms that may limit K&O's interchange of traffic originating or terminating on the Lines with any third-party connecting carrier other than UP. Accordingly, the information required under Section 1121.3(d) is supplied below (subject to the confidentiality provisions of 49 C.F.R. §§ 1104.14(a) and 1121.3(d)(1)).

49 C.F.R. § 1121.3(d)(1)(i)

K&O has certified that the Lease includes interchange commitment terms in favor of UP. The affected K&O interchange points are as follows: Wichita, Kansas and Hutchinson, Kansas (BNSF Railway Company); Wichita, Kansas (South Kansas & Oklahoma Railroad, LLC (“SKOL”)); and Wichita, Kansas (Wichita Terminal Association (“WTA”).

49 C.F.R. § 1121.3(d)(1)(ii) [HIGHLY CONFIDENTIAL]

A confidential, complete version of the documents setting forth the subject interchange agreement are attached (under seal) as Highly Confidential Exhibit B. The current iteration of the interchange commitment is set forth in the Fourth Supplement to the Lease Agreement, which took effect in 2019. Under Section 4.01 of the Fourth Supplement, K&O is required to pay UP an “Asset Use Fee” (subject to an annual escalator based on UP's Average Revenue per Car Index) for each carload originating or terminating on the Leased Premises that is not interchanged with UP. Section 4.02 provides specific carve-outs to this fee for online traffic, certain destinations, and traffic interchanged with a short line affiliate, as detailed below.

49 C.F.R. § 1121.3(d)(1)(iii)

The customers located along the Lines that currently use the Lines or have used the Lines in the preceding two years are as follows: Bartlett Grain; Thunderbird Grain; The Scoular Company; ADM Grain; Seaboard Foods; Scott

Coop; Midland Marketing; United Ag Services; Hess Services; and Heartland Mills. The proposed interchange commitment, like its 1997 predecessor, would apply only to traffic originating or terminating on the Lines (subject to critical limitations and exceptions discussed above) and not to bridge traffic that might originate on other parts of the K&O system and operate over the leased Lines. All operational Weskan facilities on the K&O have been, and will continue to be, excluded from the scope of the past and proposed interchange commitment terms.

49 C.F.R. § 1121.3(d)(1)(iv) [HIGHLY CONFIDENTIAL]

The aggregate number of carloads that the customers listed immediately above originated and terminated on the Lines for each of the past two calendar years is as follows:

2024: {{

}}

2025: {{ }}

49 C.F.R. § 1121.3(d)(1)(v)

K&O, through the undersigned counsel, certifies that it has, on this Petition filing date, provided notice of the present lease transaction and of the transaction's inclusion of an interchange commitment on each of the above-listed customers located along the Lines.

49 C.F.R. § 1121.3(d)(1)(vi)

The only third-party railroad with which K&O could interchange via the Lines is CXR. No other third-party railroads connect with the Lines.

49 C.F.R. § 1121.3(d)(1)(vii) [HIGHLY CONFIDENTIAL]

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49 C.F.R. § 1121.3(d)(1)(viii)

The case caption indicates the presence of an interchange commitment.

Historical Operations and the 2004 Abandonment

K&O assumed the leasehold interests in the Lines via assignment from Central Kansas Railway, LLC (“CKRL”), and has provided common carrier service over them since 2001. At the time of the initial lease, the leasehold comprised a through route between Geneseo and Towner, consisting of portions of the historic Missouri Pacific Railroad Company’s (“MoPac”) Council Grove and Horace Subdivisions, and all of MoPac’s Hoisington Subdivision. (MoPac was merged into UP on January 1, 1997).

These lines were light-density agricultural lines with modest traffic. A few years after assuming the leasehold interests, UP and K&O jointly petitioned to abandon and discontinue, respectively, an intermediate portion of the route – a segment between milepost 606.0 at McCracken and milepost 664.5 at Healy. *See Union Pacific Railroad Co. – Abandonment Exemption – in Lane and Ness Counties, Kan.*, AB-33 (Sub-No. 214X) (STB served Oct. 15, 2004); notices of consummation, AB 33 (Sub-No. 214X) (filed May 31, 2005, and Nov. 24, 2005). Consequently, the Third Supplement at issue in this proceeding adjusted the Lease to account for this abandonment and extended the lease term, and the Fourth Supplement updated the economic framework governing the interchange of traffic by establishing the current Asset Use Fee (a predictable, per-car compensatory model that replaced the original 1997 lease structure). K&O now seeks authority to

formalize its continued operation of the remaining Lines under the Lease as modified by the Third and Fourth Supplements.

THE EXEMPTION STANDARDS AT 49 U.S.C. § 10502 HAVE BEEN MET

The proposed transaction involves the lease and operation of a railroad line by a Class III rail carrier from a Class I rail carrier, a transaction that is governed by the Board's consolidation authority under 49 U.S.C. § 11323. Transactions of this nature fall under the scope of review and the approval standards set forth in 49 U.S.C. § 11324, particularly the criteria outlined in § 11324(d).¹ Ordinarily, seeking authorization under this statutory framework would require the filing of a formal application – classified as either a “minor” or “significant” transaction – which is subject to the extensive procedural and evidentiary requirements of 49 C.F.R. Part 1180 as applicable.

Because there is no class exemption available for this lease transaction under § 11323, K&O's authorization avenues are limited to pursuing that formal application process or seeking an individual exemption under 49 C.F.R.

¹ Under 49 U.S.C. § 11324(d), which governs inter-carrier transactions not involving the merger or control of at least two Class I railroads, the Board must approve the transaction unless it finds that: (1) as a result of the transaction, there is likely to be substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States; and (2) the anticompetitive effects of the transaction outweigh the public interest in meeting significant transportation needs. Because the proposed Lease renewal preserves the longstanding operational *status quo* without altering existing competitive routing options, it does not substantially lessen competition or restrain trade. And even if theoretical anticompetitive effects were presumed, they are outweighed by the public interest in maintaining K&O's localized, efficient, and capital-intensive short line service over the Lines.

part 1121. Consistent with the Board's *March 20 Decision* in FD 36849, directing K&O to file either a fully supported individual petition for exemption or a formal application, K&O has elected to bypass the burdensome formal application procedures of part 1180. Accordingly, K&O hereby invokes the individual exemption procedures under Section 10502 to obtain Lease authorization.

Turning, then, to the individual exemption standard, the Board, "to the maximum extent consistent with this part, shall exempt" a transaction on an individual basis "whenever the Board finds that the application in whole or in part of a provision of this part—

(1) is not necessary to carry out the transportation policy of section 10101 of this title; and

(2) either—

(A) the transaction or service is of limited scope; or

(B) the application in whole or in part of the provision is not needed to protect shippers from the abuse of market power."

As demonstrated below, the proposed lease transaction satisfies Section 10502's statutory criteria for the requested exemption.

Detailed Scrutiny Under 49 U.S.C. § 11324 Is Not Necessary to Carry Out the Rail Transportation Policy of 49 U.S.C. § 10101

Granting K&O's Petition would be consistent with the goals articulated in the RTP set forth in 49 U.S.C. § 10101. As a threshold matter, K&O submits that this transaction has no bearing on the policies to limit the use of rate

increases of general applicability (49 U.S.C. § 10101(10)), to ensure the availability of accurate cost information in regulatory proceedings (49 U.S.C. § 10101(13)), or to encourage and promote energy conservation (49 U.S.C. § 10101(14)). Rather, as detailed below, the proposed lease renewal affirmatively advances the remaining applicable elements of the RTP.

Subjecting the routine renewal of a 25-year-old lease to the heavy burdens of a formal application under Chapter 113 of Title 49 would constitute regulatory overreach. Utilizing the individual exemption process here directly furthers the RTP goals of minimizing federal regulatory control over the rail transportation system (49 U.S.C. § 10101(2)), reducing regulatory barriers to entry (49 U.S.C. § 10101(7)), and providing for the expeditious handling and resolution of proceedings (49 U.S.C. § 10101(15)) by allowing an established, incumbent short line to maintain its longstanding operations without enduring a protracted, expensive, and unnecessary administrative trial. Reliance on the exemption procedures eliminates the need for the expensive, time-consuming processes attendant to a formal application under 49 U.S.C. § 11325. By granting the exemption, the Board allows K&O to maintain an operational *status quo* that has existed for decades, thereby reducing the regulatory burden on a Class III carrier.

Furthermore, granting this Petition directly fosters sound economic conditions (49 U.S.C. § 10101(5)) and encourages honest and efficient management (49 U.S.C. § 10101(9)) by keeping the Lines under the stewardship of a specialized, locally-focused Class III carrier in K&O (with the backing of Watco Holdings, one of

the largest and most experienced transportation logistics companies in the U.S.). By allowing K&O to continue earning the revenues necessary to maintain and rehabilitate this specific track infrastructure, the Lease structure ensures these facilities are operated without detriment to public health and safety (49 U.S.C. § 10101(8)). Operating over light-density agricultural lines as K&O does in support of the region's agricultural economy requires constant capital investment, close management of costs, and unending attention to market demands. The Lease structure – including the interchange commitment – provides the commercial foundation that allows K&O to generate the revenues necessary to maintain and rehabilitate the track (49 U.S.C. § 10101(3)).

This commercial foundation is not merely theoretically effective; it is empirically demonstrated by K&O's operational record. Since assuming operations in 2001 (roughly a quarter of a century ago), K&O has aggressively developed the traffic base on the Lines. Across the entire K&O system, carload volumes grew by {{ }} between 2005 and 2025, representing a steady 20-year compound annual growth rate of {{ }}. More specifically on the leased Lines (the Hoisington and Towner Subdivisions), traffic has demonstrated remarkable resilience and recent surging demand, increasing from {{ }} carloads in 2021 to {{ }} carloads in 2025. The evidence shows that volume on these light-density lines has consistently trended upward, significantly outperforming aggregate carload volume trends among Class I carriers over the same period. This sustained growth is the hallmark of localized short line success, but more importantly, it serves as empirical proof

that the current Lease structure facilitates, rather than stifles, robust rail volumes. 25 years of documented growth proves that the arrangement advances the RTP's mandate to foster sound economic conditions and ensure the development and continuation of a sound rail transportation system in furtherance of 49 U.S.C. §§ 10101(4) and (5).

As the American Short Line and Regional Railroad Association (“ASLRRA”) has cautioned the Board in related rulemakings, regulatory intervention that strips a Class I lessor of its negotiated economic protections often results in severe unintended consequences for shippers. If a Class I railroad were to be deprived of the interchange commitments that protect its long-haul economics, it would be strongly incentivized to terminate the lease and resume direct operations. Indeed, UP explicitly warned of this exact outcome during the precursor revocation proceeding. Rather, “Union Pacific could simply choose not to lease the line to K&O.” *See* Union Pacific's Reply to Weskan Grains Pet. to Reopen and Partially Revoke Exemption at 2, FD 34030 (filed Dec. 23, 2024) (explaining that the agency cannot force a railroad to negotiate a lease without an interchange commitment and that it could simply choose not to lease the line).

Moreover, if UP were forced to resume service, shippers would lose access to the pro-competitive levers of the Railroad Industry Agreement (“RIA”). As the Board is aware, the RIA is a longstanding, industry-brokered framework designed to provide short line railroads with practical relief from interchange restrictions to pursue specific, new market opportunities that would not otherwise

materialize. A fundamental tenet of network railroading and governing law is that a rail carrier cannot be expected to short-haul itself on movements where it can efficiently handle the long-haul routing. While the Lease respects UP's right to that long-haul traffic, K&O's presence as a short line operator preserves the RIA safety valve for shippers when UP cannot practically compete for a routing.

Furthermore, UP's overarching traffic interests and routing prerogatives are always subject to Board adjustment pursuant to the agency's through route and through rate prescription authority under 49 U.S.C. § 10705. *See, e.g., Entergy Arkansas, Inc. & Entergy Services, Inc. v. Union Pacific Railroad Co., et al.*, Docket No. NOR 42104, slip op. at 1 (STB served Apr. 25, 2011) (acknowledging a shipper's statutory right to competitive transport service alternatives despite existing Class I routing structures).

The potential viability of this statutory competitive backstop is even more pronounced today. The Board recently instituted a rulemaking to repeal the restrictive "anticompetitive conduct" standard associated with 49 C.F.R. part 1144, expressly intending to remove regulatory barriers and facilitate the case-by-case prescription of through routes and through rates under Section 10705. *See Eliminating Regulatory Barriers to Competition: Review of Part 1144*, EP 788 (STB served Jan. 7, 2026). Because shippers on the Lines possess access to a potentially more vigorous statutory avenue for competitive access, voiding the Lease structure would be entirely unnecessary to protect them from theoretical competitive harm. In fact, voiding the Lease would be counterproductive: it would extinguish K&O's

service and the RIA safety valve, leaving shippers strictly captive to UP's direct network and forcing them to rely entirely on litigating Section 10705 prescription cases to secure competitive routing.

The Commercial Necessity of the Lease Structure

The operational and service impacts of this transaction are entirely positive. The Lines primarily serve agricultural shippers in western Kansas and eastern Colorado where significant precipitation variation (and arid conditions) can have a serious effect upon agricultural commodities harvested, and on overall harvests. Operating light-density, agricultural rail lines requires continuous capital investment in track maintenance, rehabilitation, and infrastructure upgrades, and the operations face massive challenges associated with seasonal volume shifts and widely varying annual traffic volumes.

While K&O remains deeply committed to fulfilling its statutory common carrier obligations over the Lines, fulfilling those obligations safely and efficiently requires a sustainable commercial framework. The negotiated economic provisions of the Lease – specifically the interchange commitment and the associated Asset Use Fee – are fundamental components of that sustainable framework. These provisions ensure that K&O can generate the revenues necessary to continually reinvest in the Lines, while simultaneously providing UP with commercial incentives to keep the infrastructure in the hands of a localized, customer-focused short line operator.

The Lease Satisfies the EP 575 Balancing Test and Promotes Effective Competition (49 U.S.C. §§ 10101(1) and (4))

To fulfill the RTP goals of ensuring effective competition and a sound rail transportation system, the Board has explained that it would, on a case-by-case basis, apply the balancing test in *Review of Rail Access*. The Board must evaluate these provisions with a clear eye for detail. Furthermore, K&O would argue that the Board's analysis of specific interchange commitment terms must be grounded in the substantive comments of parties who accurately and honestly question the impact, rather than on geographically detached or theoretical grievances.

In *Review of Rail Access*, the Board explicitly rejected bright-line prohibitions on interchange commitments, mandating instead an analysis weighing the public interest benefits against potential competitive harm. *See Review of Rail Access*, slip op. at 13-14. A primary factor in this STB analysis is "the competitive environment before and after the restraint was imposed." *Id.* at 15.

Evaluated under this standard, the Lease clearly passes muster. Prior to the execution of the 1997 Lease, UP operated the Lines directly as an integral part of its system. As an operating Class I carrier, UP possessed the legal and commercial prerogative to route traffic over its own network; it was under no statutory obligation to short-haul itself by interlining traffic with competing carriers when it could efficiently provide single-line service. The initial leasehold – and the interchange commitment required to secure it on favorable lease terms to the lessee – did not disrupt this competitive *status quo ante*. The commercial

framework of the Lease merely translated UP's pre-existing, inherent operational rights into a contractual protection for the lessor.

Consequently, the Lease did not eliminate, and has not eliminated, any pre-existing competitive interline routings, because no such third-party routings existed under UP's direct stewardship. While an opportunistic party may cynically present the interchange commitment here as a restraint on K&O's theoretical ability to freely interchange with third parties, the Board's statutory analysis must focus on the competitive impact *of the transaction itself*. A transaction is not anti-competitive, nor does it cause competitive "harm," simply because it does not create *new* competitive routing options that had not previously existed. Rather than diminishing competition, the commitment constituted the necessary commercial consideration that allowed K&O (and its leasehold predecessor) to step in and preserve localized rail service over a light-density corridor that might otherwise have been abandoned as were other lines nearby.²

The Board may also, in appropriate circumstances, scrutinize the "degree to which interchange is effectively foreclosed" in any given transaction involving an interchange commitment. *See Review of Rail Access*, slip op. at 15. But as established above, the Lease does not impose the absolute paper barrier the Board may have (incorrectly) assumed. First, the Lease's clearly delineated geographic scope limits the interchange commitment to traffic originating or terminating on the leased Lines only, excluding, for example bridge traffic that

² See, e.g., AB 33 (Sub-No. 214X); AB 33 (Sub-No. 147X).

originates or terminates on the K&O-owned trackage, but which may, as prospective Weskan traffic now is doing, move over the leased Lines. See *Mandatory Disclosures Concerning the Interchange Commitment, supra*. Second, as evidenced by the WTA example, the Asset Use Fee is a calibrated commercial mechanism designed to compensate the lessor for diverted long-haul economics, not to arbitrarily blockade local switching. Finally, for new traffic opportunities where UP cannot practically compete for the routing, K&O's operation preserves the functional RIA safety valve for shippers – a mechanism wholly unavailable under direct Class I service.

When weighing these benefits against the alleged harms, the evidence weighs in favor of granting the exemption. The Lease framework provides the revenue stability that funds K&O's heavily-seasonal, harvest-dependent, low-density operations; sustains localized customer service; and drives 25 years of documented, hard-won volume growth. See *Detailed Scrutiny Under 49 U.S.C. § 11324 Is Not Necessary to Carry Out the Rail Transportation Policy of 49 U.S.C. § 10101, supra*. Conversely, the primary competitive concern – the supposed economic foreclosure of Weskan's westward traffic – is a geographic and contractual impossibility. Denying the petition based on a phantom harm would not promote competition. Instead, as ASLRRRA has warned the Board, stripping a Class I of its long-haul protections risks lease termination and a reversion to direct UP service in this case. Such an outcome would extinguish K&O's localized operations,

permanently terminate the availability of RIA relief, and ultimately degrade the sound rail transportation system the RTP seeks to protect.

Geographic Limitations and the Weskan Fallacy

Furthermore, the Board's competitive/merits analysis must be grounded in the strict geographic limitations of the Lease. ***By its express terms, the subject interchange commitment applies only to traffic that originates or terminates on the 165.98 miles of the specifically defined Lines. It does not apply – and has never applied – to overhead or “bridge” traffic that originates or terminates on rail lines K&O owns.*** This geographic reality is critical to correcting what appears to be a fundamental misunderstanding regarding the competitive landscape. Specifically, Weskan has served as the catalyst here for increased Board scrutiny of the subject transaction, having alleged competitive harm due to the interchange commitment terms that Weskan has claimed have foreclosed it from shipping grain from Weskan's loading sources on K&O to Weskan's Stockton Siding elevator located on CXR. To be clear: Weskan does not own or operate any active loading facilities on the leased Lines themselves.

Weskan has active loading facilities near Scott City, Kansas, which are situated on K&O-owned lines immediately to the east of the leased Lines. Weskan says that it seeks to originate agricultural traffic from loading facilities on lines owned by K&O to a destination located to the west of the leased Lines at Stockton Siding, Colorado (on Weskan's common carrier affiliate, CXR), via the K&O-CXR connection at Towner, Colorado. Because this agricultural traffic would originate on

lines K&O owns (and that are thus outside the geographic scope of the Lease), such overhead traffic would be completely exempt from the Lease's interchange commitments (the Asset Use Fee of the Fourth Supplement). Therefore, the primary illustrative example of competitive foreclosure presented in this docket is factually impossible under the plain language of the Agreement, whether the agreement is strictly the terms of the original 1997 Lease or under the revised terms of the 2019 Fourth Supplement.

K&O seeks to clarify the strict geographic limitations of the Lease, as this operational reality directly resolves the competitive concerns raised in the Board's *March 20 Decision*. In that decision, the Board observed that K&O had not yet satisfied the RTP "given the expressed concern about the potential competitive harm that the Lease could cause shippers, including but not limited to Weskan." (See *March 20 Decision*, slip op. at 9). The Board also noted that a lack of interchanged traffic "creates a strong inference that the interchange commitment has effectively foreclosed interchange with CXR," and stated that "K&O has offered no rebuttal on this point." *Id.*

To ensure a complete and accurate record in this proceeding, K&O highlights its prior clarifications regarding the boundaries of the interchange commitment, which demonstrate that Weskan's existing traffic is not foreclosed by the Lease. As K&O explicitly noted in its December 4, 2025 Supplement:

K&O has confirmed with UP that the original lease's rental escalator and the Fourth Supplement's Asset Use Fee are each forms of an interchange commitment applicable only to traffic originating or terminating on the Leased Lines and interchanged with third-party carriers other than UP.

Neither commitment applies to traffic originating or terminating on K&O lines other than the Leased Lines. Weskan's existing, K&O-served grain loading facilities are located on K&O-owned lines, are therefore entirely excluded from the reach of these restrictions, and would remain so under the Fourth Supplement.

K&O Supplement, Dec. 4, 2025, at 5, n.4.

K&O reiterated this undisputed operational fact in its January 20, 2026 Rebuttal, noting that "the Asset Use Fee does not apply – and never did apply" to Weskan's existing facilities at and east of Scott City, and that K&O service to and from those operations "are not covered by the 1997 or 2019 versions of the UP-K&O interchange commitment." K&O Rebuttal, Jan. 20, 2026, at 12.

Because the interchange commitment does not geographically apply to Weskan's active facilities, the inference of market foreclosure regarding those movements is resolved by the plain terms of the Agreement.

The Board's *Review of Rail Access* balancing test requires the agency to weigh the public interest benefits of the interchange commitment against its potential competitive harms. Because the primary competitive harm identified by the Board – the foreclosure of Weskan's existing westward traffic – is contractually and geographically impossible, Weskan's claims of foreclosure are mistaken. The scales tip decisively in favor of approving the Lease, as the interchange commitment does not, and cannot, block Weskan's sources of originating traffic today.

Historical Traffic Flows and the Question of Foreclosure

In its *March 20 Decision*, the Board observed an absence of record evidence regarding whether K&O interchanges traffic with carriers other than UP

(specifically BNSF, SKOL, and WTA). Separately, noting Weskan's evidence that no K&O carloads have interchanged with CXR, the Board inferred that UP's enforcement of the interchange commitment can and did foreclose K&O leased Lines-to-CXR routings. K&O offers what data it has to demonstrate that the gateways remain functionally open and rebut the inference of foreclosure.

First, to address the Board's request for information regarding whether and to what extent K&O interchanges traffic with carriers other than UP, K&O provides the following historical data. The interchange commitment does not operate as an absolute barrier to third-party interline routing. When commercial demand dictates, K&O actively interchanges traffic originating or terminating on the Lines with carriers other than UP. For example, over the past five years, K&O interchanged substantial volumes of Leased Line traffic with BNSF: {{ }} carloads in 2021; {{ }} in 2022; {{ }} in 2023; {{ }} in 2024; and {{ }} in 2025; and with WTA: {{ }} carloads in 2021; {{ }} in 2022; {{ }} in 2023; {{ }} in 2024; and {{ }} in 2025.

Second, the Lease framework and UP's enforcement of it are dynamically responsive to local short-line routing needs. The interchange commitment is not strictly applied to bar any and all third-party traffic. As detailed above, the Lease completely exempts traffic interchanged with the WTA from the Asset Use Fee. Similarly, the Parties executed the Fourth Supplement to the Lease specifically to carve out an exception for traffic interchanged with SKOL. {{

}} These

negotiated safety valves demonstrate that UP is willing to exercise its commercial discretion, and that the Lease has been actively amended to accommodate specific, localized routing needs.

Finally, the mere absence of traffic interchanged with a given third-party carrier does not equate to market foreclosure. True market foreclosure requires a specific, viable traffic opportunity that is actively thwarted or refused due to the strict enforcement of the interchange commitment. That has unequivocally not occurred here. UP has never rejected an on-line shipper's request for alternative third-party routing or refused to consider relief under the established RIA principles, for a simple reason: no on-line shipper has ever made such a request through K&O.

Indeed, there have been no requests for service from any loading points on the K&O leased Lines to destinations on CXR. None whatsoever. Because there have been no localized demands for such routings, UP has never had the occasion to exercise – let alone refuse – its discretion to facilitate a K&O-CXR interchange.

Furthermore, Weskan's evidence regarding its own lack of K&O-CXR interline traffic is irrelevant to the Board's inference of foreclosure. As established

above, Weskan's active loading points are not located on the leased Lines. Consequently, the Lease's interchange commitment does not even apply to Weskan's facilities, rendering any claim of theoretical market foreclosure for Weskan factually impossible. Absent actual evidence of unmet shipper demand from an on-Lines facility being stifled by UP's rigid enforcement of the Lease's interchange commitment, the inference that the K&O-UP arrangement has foreclosed or would foreclose any market – on CXR or otherwise – is unsupported.

Interchange Commitment Evolution: 1997 - 2019

To properly evaluate the competitive impact of the Lease, the Board must understand the historical origin of the interchange commitment. The restrictions at issue were not newly minted in recent supplements to target specific shippers or connections as Weskan opportunistically has inaccurately alleged. Rather, the universal restriction on third-party interchange is a foundational condition of the original September 12, 1997 lease agreement between UP and K&O's predecessor, CKRY. The 1997 Lease paired nominal lease payments with a strict "Routing Requirement" mandating that {{ }} of all traffic originating or terminating on the Leased Premises be interchanged with UP, enforced by financial payments. When K&O assumed the leasehold from CKRY in 2001, it simply inherited this pre-existing, universal restriction as a condition of operating the Class I spin-off.

To grasp the commercial necessity of the Asset Use Fee introduced in the 2019 Fourth Supplement, the Board must look to the previous framework it

replaced. Under the original 1997 Lease, the interchange commitment operated as a retrospective “lease price differential.” Specifically, Section 4.01 of the original Lease imposed a “Routing Requirement” mandating that the lessee interchange at least {{ }} of its annual traffic with UP. If the railroad fell short of this threshold – even by a single carload – it would trigger a fixed-rent penalty.

K&O found this retrospective framework could be more unpredictable and took resources to administer. A short line could face higher financial liability based on minor, end-of-year fluctuations in volume. That theoretical risk became a challenge for K&O in 2017. Due to a minor variance of a small number of carloads over the {{ }} third-party allotment, K&O triggered the 1997 penalty provisions, exposing the railroad to approximately {{ }} in aggregate leasehold rental obligations. That minor variance in carloads had nothing to do with the Towner Line or CXR—despite suggestions to the contrary.

Faced with this sizeable and unexpected penalty, K&O approached UP about potential contract reform (as well as forbearance). The sole origin of the Fourth Supplement’s pricing modification was K&O’s urgent need to replace the problematic 1997 escalator with a predictable, administrable, and proportionate per-car compensatory model. Weskan’s fabricated narrative in the FD 36849 proceeding that the Fourth Supplement reflected a dead-of-the-night conspiracy designed to preemptively block CXR or Weskan is demonstrably false, and Weskan’s discovery in the FD 36849 proceeding yielded no record evidence to support Weskan’s claim. The transition to the current Asset Use Fee was a direct response

to a specific, internal billing issue under a legacy contract, entirely unrelated to CXR's emergence or Weskan's traffic. The timing is purely coincidental, which, of course, has played into Weskan's factually incorrect conspiracy theory (which also fails for the fact that the Asset Use Fee does not impact Weskan traffic from its active K&O loading locations east of the Lines).

With respect to the level of the maximum Asset Use Fee, K&O understands that UP may address this issue in a reply submission to this petition. To the best of K&O's recollection, the specific per carload figure was developed by UP as a functional economic substitute for the interchange commitment it replaced and was based on factors, such as internal routing economics, opportunity costs, or pricing methodologies into which K&O has no visibility. Accordingly, any regulatory inquiry demanding a specific mathematical justification for the quantum of the fee is appropriately directed to UP, not K&O.

Justification for the Duration of the Lease and Commercial Terms

In its *March 20 Decision*, at 10 & n.7 the Board noted that the Lease expires in September 2027, with K&O holding options for five additional 10-year extensions and observed that the prior record lacked a justification for this potential duration. K&O welcomes the opportunity to explicitly clarify the issue. The long-term nature of the Lease, and specifically the duration of the interchange commitment, is not an arbitrary market barrier. Rather, the duration of the commitment is inextricably linked to the foundational economic structure of the 1997 Lease itself, which was provided to the Board in the prior proceeding.

When the original lease for these Lines was negotiated in 1997, it was founded on a lasting commercial trade-off. In exchange for leasing and operating the assets, the tenant pays a highly favorable, nominal base rental rate. However, UP's willingness to grant and maintain this highly favorable base rent is entirely predicated on the parallel existence of the interchange commitment. The Asset Use Fee acts as the commercial counterweight. It protects UP's underlying asset and historic long-haul traffic flows, compensating UP for the risk and cost of effectively subsidizing the short line's operations through a below-market base lease.

This long-term, highly favorable rental arrangement provides a massive public benefit by allowing K&O to redirect its capital away from standard rent payments and directly into the physical infrastructure of the railroad. Operating and maintaining light-density, agricultural branch lines is financially challenging. The costs required to keep these Lines operational – such as programmatic tie replacement, ballast installation, and bridge structural repairs – involves assets with lifecycles spanning decades. By utilizing a favorable base rent, K&O can aggressively develop traffic and dedicate funds to rehabilitate The Lines. The data demonstrate this commitment: between 2012 and 2021 alone, K&O invested over {{ }} in capital expenditures on the leased Lines. This substantial investment funded the installation of thousands of crossties, extensive track surfacing, rail relays, and critical bridge and signal repairs.

The staggered, 10-year extension options provide K&O with the predictable, long-term time horizons necessary to secure financing and amortize

these multi-decade capital maintenance programs. However, K&O cannot expect to enjoy the benefits of a highly favorable base rent for the next several decades while simultaneously demanding that the STB artificially truncate or cap the duration of UP's corresponding commercial protection. The two elements are economically inseparable. Therefore, the potential duration of the interchange commitment is entirely justified – it mirrors the duration of the favorable leasehold arrangement that makes K&O's operation and rehabilitation of the Lines economically viable.

The Function of the Asset Use Fee and the Absence of an Artificial Cap

In its *March 20 Decision*, the Board observed that the record lacked information regarding whether there is a “cap or limit” on the total amount K&O may be required to pay under the interchange commitment. K&O submits that the absence of a fixed financial ceiling is a necessary feature of the Asset Use Fee's design, as the fee appears structured to ensure the arrangement remains proportional to actual commercial activity.

As indicated by the foundational economics of the 1997 Lease, the Asset Use Fee serves as the commercial mechanism through which Union Pacific is compensated for traffic that moves via third-party carriers. Because the Fee is designed to provide this compensation on a per-car basis, a financial “cap” would be fundamentally inconsistent with the commercial logic of the arrangement. If such a limit were imposed, UP would effectively be providing a subsidy for third-party routing without any corresponding compensation once the cap was reached—a

result that would decouple the fee from its protective function and destabilize the economic balance of the Lease.

The compensatory nature of the Fee is a recognizable component of the leasehold arrangement, designed to protect the economic balance of the Lease by ensuring that traffic remains with UP wherever it can efficiently participate in the linehaul transportation. This structure provides a commercial counterweight for the highly favorable base rent that enables K&O's capital investment program. While K&O cannot speak to the internal deliberations or specific calculations UP utilized to arrive at the per-car amount, the structure itself suggests an intent to protect UP's anticipated revenue under the rental arrangement. Even in instances where UP might not be able to participate in a specific movement, the diversion of that traffic still results in a loss of potential revenue that is not otherwise accounted for under the nominal base rental arrangement.

Because the Asset Use Fee is assessed on a per-car basis, it remains strictly proportional to the volume of traffic interchanged. It is a scalable commercial protection. Imposing an artificial cap would decouple the Asset Use Fee from the actual volume of traffic being diverted. Finally, as noted elsewhere, the RIA principles continue to serve as the functional safeguard. If the application of the Asset Use Fee were to render a specific market opportunity impossible, the RIA provides the necessary mechanism for relief. Absent such a scenario, a rigid financial cap is both unnecessary and commercially inconsistent with the underlying lease structure.

Carve-Outs and the Wichita Terminal Association Exception Example

In the *March 20 Decision*, the Board expressed concern that the Asset Use Fee acts as a universal penalty, stating that the fee “applies to every revenue carload that originates or terminates on the Lines interchanged with any carrier other than UP.” *March 20 Decision*, slip op. at 9-10. That assumption overlooks the Fourth Supplement’s limitations and tailored carve-outs.

The Asset Use Fee is not a uniform, maximum blanket assessment applied to all third-party interchanges. Rather, the Fourth Supplement reflects a highly negotiated commercial framework that distinguishes between true long-haul competitive routings and localized short-haul or terminal movements.

A prime example of this tailored approach is the treatment of traffic destined for the Wichita, Kansas market. The WTA is a joint, neutral terminal switching operation jointly owned by UP and BNSF Railway Company that facilitates local delivery over roughly ten miles of track in the Wichita switching district. Under the precise terms of the Fourth Supplement, traffic originating on the leased Lines and interchanged with the WTA for local termination at Wichita is categorically excluded from the maximum asset use fee. Depending on the specific routing and destination facility within the terminal limits, such traffic is subject to a drastically reduced fee, or no fee at all.

These specific contractual carve-outs reflect a nuanced, destination-specific pricing mechanism – not a blunt, universal blockade. The explicit exceptions for localized interchange via the WTA, for example, demonstrate that the

Asset Use Fee was carefully designed to appropriately compensate UP for the use of its assets on competing long-haul movements, rather than to arbitrarily penalize K&O for utilizing localized terminal networks to serve regional receivers.

The RIA Safety Valve and UP's Active Waiver

Beyond the geographic exclusion of Weskan's current facilities, K&O has sought to address the Board's concerns regarding potential future facilities that might be constructed within the leasehold's boundaries. As noted in the *March 20 Decision*, UP previously offered to waive the application of the Asset Use Fee for hypothetical westbound Weskan traffic originating on the Lines and destined for points on or via the CXR. UP has advised K&O that it will continue to honor this waiver for the remainder of the Lease term through September 2027.

K&O has no reason to believe that UP will alter its waiver in the event of any subsequent lease amendment and extension. K&O will assuredly advocate for its codification into any such lease amendment and extension when the opportunity arises. Regardless, the relief extended to Weskan now would be subject to Board intervention (via standard revocation procedures) during the remainder of the currently requested authorization, and again in the event of material contract alteration and/or extension. Thus, while the accommodation remains available as a matter of UP's stated policy through 2027, the formal structure of the Agreement remains as originally inherited by K&O.

While K&O and UP have elected to maintain the current contractual structure, the interchange commitment (Asset Use Fee) does not operate as an

absolute barrier to new traffic. In practice, UP is willing to evaluate and grant relief from the Asset Use Fee on a case-by-case basis, in keeping with the principles of the RIA. Although not formally codified within the four corners of the Fourth Supplement, UP's historical conduct – including its specific, on-the-record offer to waive the Asset Use Fee for Weskan's potential westbound traffic to the CXR – demonstrates a functional adherence to these RIA principles.

This demonstrated commercial safety valve is available to any customer on the leased Lines seeking to develop new rail traffic opportunities. For example, if a shipper seeks to originate traffic on the leased Lines destined for a location exclusively served by a third-party carrier where UP cannot practically participate in the routing, the RIA principles strongly support granting relief. Because UP has no practical expectation of handling such a movement, it suffers no diversion of existing long-haul traffic. In these circumstances, the RIA framework promotes new rail traffic and facilitates a competitive alternative to other modes of transportation. Consequently, while the specific accommodation for Weskan remains available as a matter of UP's stated policy through September 2027, the formal structure of the Agreement remains as originally inherited by K&O, operating alongside the RIA. This industry-standard mechanism serves as a recognized regulatory and commercial safety valve, ensuring that new traffic opportunities where single-line service is not viable can materialize regardless of the legacy paper barriers within the Lease.

The Absence of Authentic Shipper Opposition

The current procedural posture of this proceeding reflects a notable shift from the Board's initial directives, one that warrants respectful observation given the prior evidentiary record. In its February 2025 decision, the Board signaled that broad review of the Lease could be avoided, emphasizing a preference for "privately negotiated solutions where possible," and actively encouraging the parties to discuss avenues for a negotiated resolution. Acting on that guidance, K&O and UP engaged in genuine, good-faith negotiations, culminating in UP's on-the-record offer to waive the Asset Use Fee for Weskan's westbound traffic to CXR destinations that might originate at hypothetical Weskan loading points on the leased Lines. Weskan, driven by ulterior motives and a desire to use litigation as leverage, summarily rejected this accommodation.

Subsequently, the agency pivoted toward a broader review of the Lease structure. In its June 25, 2025 decision instituting the FD 36849 proceeding, the Board actively invited connecting carriers and shippers located along the Lines to submit comments and evidence concerning the interchange commitment and its impact on price and service. Pursuant to the Board's directive, K&O served the decision on all shippers that use or have used the Lines in the past two years, and upon connecting carriers.

The response to the Board's broad invitation is telling. Despite the direct solicitation, not a single customer located on the leased Lines filed comments objecting to the Lease or its interchange provisions. The absolute absence of

criticism from the actual shipping public operating on the Lines stands in stark contrast to the singular opposition in this docket. The only objections arose from Weskan and its commonly-owned affiliate, CXR – parties whose grievance relies on the geographically impossible premise that the Asset Use Fee applies to Weskan’s active, off-lease loading facilities.

The Proposed Transaction Is of Limited Scope

The Board’s *March 20 Decision* did not identify any deficiencies in K&O’s prior demonstration that this transaction is limited in scope. The subject transaction involves K&O’s (a Class III rail carrier) continued lease and operation of roughly 165.98 route miles of railroad located in a single state. The Lines have been leased to, and operated by, K&O for roughly 24 years. Continuation of K&O’s lease of the Lines will have no impact on service, dispatching, maintenance, employees, the environment, or historic resources. It merely preserves the longstanding operational status quo. Furthermore, the transaction is limited in scope because the challenged commercial terms apply only to a finite segment of 165.98 miles in a single state, leaving the majority of regional and K&O-system grain traffic entirely unaffected and free to move via unrestricted gateways. As such, the proposed transaction clearly is of limited scope.

Regulation Is Not Necessary to Protect Shippers from Market Power Abuse

Because K&O’s continued lease of the Lines is of limited scope, the statute does not require K&O to affirmatively prove that there is no potential for

market power abuse. Nevertheless, renewing the existing Lease structure ensures that the transaction will avoid undue concentrations of market power and prohibit predatory pricing and practices (49 U.S.C. § 10101(12)). This transaction merely preserves the operational *status quo*; K&O is acquiring no new market dominance under the revised lease terms, and no shipper will lose access to any rail routing options they currently possess (or that they would possess were the Lines under direct UP operation in place of K&O).

Furthermore, regulation under the formal processes of Sections 11324-11325 is not required here to ensure that competition and the demand for services establish reasonable rates (49 U.S.C. § 10101(1)) or to maintain reasonable rates where a party might allege an absence of effective competition (49 U.S.C. § 10101(6)). As detailed above, the Lease preserves essential competitive safeguards, including the RIA safety valve and shippers' statutory access to through-route prescriptions under Section 10705. If any individual shipper subjectively believes a specific K&O rate is prohibitively high due to a localized lack of competition, the Board maintains dedicated, standalone rate reasonableness procedures designed expressly to adjudicate such commercial grievances. No one has come forward to argue, legitimately and objectively, that UP's case-specific enforcement of the Fourth Supplement's interchange commitment terms would result in rates that would be unreasonable. Utilizing the blunt instrument of lease regulation – or outright revocation – to address an individualized rate complaint is entirely unnecessary to carry out these statutory policies.

Additionally, as detailed above, the involved interchange commitment does not impact the active routing of existing K&O shippers like Weskan, and UP's continuing waiver and adherence to RIA principles preclude the Lease from operating as an absolute barrier to competitive routing for new traffic. Accordingly, neither K&O's operation of the Lines nor the governing lease structure results in an abuse of market power.

LABOR PROTECTION

Under 49 U.S.C. § 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Because the proposed transaction involves a lease of rail lines between a Class I carrier (UP) and a Class III carrier (K&O) subject to 49 U.S.C. § 11323, the Board must impose standard labor protective conditions pursuant to 49 U.S.C. § 11326(a). Specifically, the Board routinely imposes the conditions set forth in *Mendocino Coast Ry., Inc.—Lease and Operate—California Western R.R.*, 360 I.C.C. 653 (1980), *aff'd sub nom. Railway Labor Executives' Ass'n v. United States*, 675 F.2d 1248 (D.C. Cir. 1982), for lease transactions. K&O acknowledges that these standard conditions will apply to the exemption sought here.

However, as a practical matter, the imposition of the *Mendocino Coast* conditions will not have a substantive impact in this proceeding. This transaction merely authorizes the continuation of a 25-year leasehold arrangement and is designed to maintain the long-standing operational status quo on the Lines. Because there will be no changes to operations, route structures, or labor

requirements, no employees of either K&O or UP will be adversely affected—that is, displaced or dismissed—as a direct result of the transaction. Furthermore, by preserving the operational employment status quo, K&O’s continued operation of the Lines encourages fair wages and safe and suitable working conditions in the railroad industry (49 U.S.C. § 10101(11)).

ENVIRONMENTAL REVIEW

As indicated above, the proposed transaction would entail the continuation of the K&O operational and service *status quo*. K&O anticipates no operational changes flowing from the proposed transaction. As pertinent here, 49 CFR § 1105.6(c)(1)(i) provides that transactions such as this one falling under Section 11323 ordinarily require no environmental review. K&O anticipates that the proposed transaction will have no impact upon service levels, and the transaction includes no plans to construct railroad lines. Accordingly, the Board should find that no environmental review is required here.

HISTORIC REVIEW

The Board’s regulations provide that historic review normally is not required for a railroad line transaction of this sort. And, in any event, “further [Board] approval is required to abandon any service,” and as is the case here, “there are no plans to dispose of or alter properties subject to the Board’s jurisdiction that are 50 years old or older.” See 49 CFR § 1105.8(b)(1). The Board should conclude here, also, that granting the Petition requires no historic resources impact analysis.

WHEREFORE, K&O respectfully requests that the Board grant the exemption sought in this Petition.

Respectfully submitted,

By: /s/ *R. A. Wimbish*

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**ATTORNEY FOR KANSAS &
OKLAHOMA RAILROAD, LLC**

Dated: May 4, 2026

BEFORE THE
SURFACE TRANSPORTATION BOARD

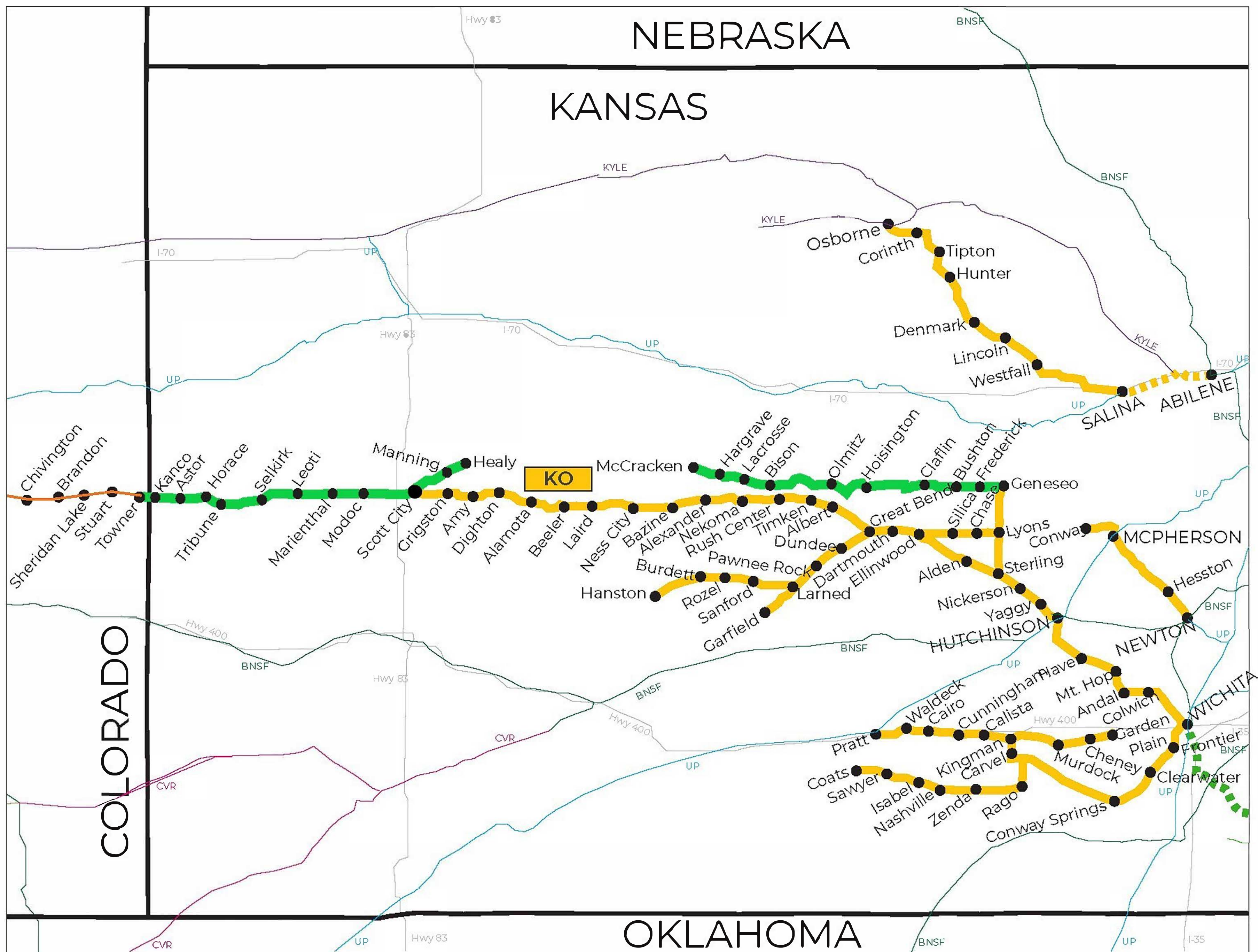
FD 36849 (Sub-No. 1)

KANSAS & OKLAHOMA RAILROAD, LLC
– LEASE AND OPERATION EXEMPTION WITH
INTERCHANGE COMMITMENT –
UNION PACIFIC RAILROAD COMPANY

**PETITION FOR EXEMPTION
PURSUANT TO 49 U.S.C. § 10502(a)**

EXHIBIT A

MAP



LEGEND

- Kansas & Oklahoma Railroad (KO)
- Leased Lines
- - - KO Trackage Rights
- - - SKOL Trackage Rights
- KYLE
- CVR
- COPR

Interchanges

- Abilene, KS - BNSF
- Hutchinson, KS - BNSF, UP
- Newton, KS - BNSF
- Wichita, KS - BNSF, SKOL, UP
- McPherson - UP
- Salina - UP

Total Miles: 904.3

BEFORE THE
SURFACE TRANSPORTATION BOARD

FD 36849 (Sub-No. 1)

KANSAS & OKLAHOMA RAILROAD, LLC
– LEASE AND OPERATION EXEMPTION WITH
INTERCHANGE COMMITMENT –
UNION PACIFIC RAILROAD COMPANY

PETITION FOR EXEMPTION
PURSUANT TO 49 U.S.C. § 10502(a)

HIGHLY CONFIDENTIAL EXHIBIT B

**LEASE DOCUMENTS CONTAINING
INTERCHANGE COMMITMENT TERMS**

EXCLUDED FROM THE PUBLIC VERSION

CERTIFICATE OF SERVICE

I hereby certify that I have, on this 4th day of May, 2026, served a copy of the foregoing Petition (Public Version) via electronic mail to all shippers who have used the leased Lines in the past two years, Union Pacific Railroad Company, Colorado Pacific Railroad LLC, Weskan Grain LLC, and BNSF Railway Company.

/s/ *R. A Wimbish*

Robert A. Wimbish

**Counsel for Kansas & Oklahoma
Railroad, LLC**