SERVICE DATE –JULY 30, 2026

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. FD 36849 (Sub-No. 1)

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

Decided: July 30, 2026

On May 4, 2026, Kansas & Oklahoma Railroad, LLC (K&O), a Class III rail carrier, filed a petition (the Petition) under 49 U.S.C. § 10502 seeking an exemption from the provisions of 49 U.S.C. § 10902 for after-the-fact authority to renew and amend a lease agreement between K&O and Union Pacific Railroad Company (UP) governing K&O's possession and use of approximately 165.98 route miles of UP-owned railroad line in western Kansas (the Lease).[1] The leased lines consist of two segments of rail line, which extend (1) between milepost 523.02 at Geneseo, Kan., and milepost 606.0 at McCracken, Kan., and (2) between milepost 664.5 at Healy, Kan., and milepost 747.5 at Towner, Colo. (the Lines).

K&O filed this petition in response to an earlier decision in which the Board denied its petition for exemption, finding that K&O failed to meet its burden to demonstrate that continued regulation is not necessary to carry out the rail transportation policy (RTP) of 49 U.S.C. § 10101. See Kan. & Okla. R.R.—Lease & Operation Exemption with Interchange Commitment—Union Pac. R.R. (March 2026 Decision), FD 36849 (STB served Mar. 20, 2026).

On June 15, 2026, Weskan Grain LLC (Weskan) filed a reply in opposition to the Petition. According to Weskan, the Lease's interchange commitment fails to meet all of the factors identified by the Board in Review of Rail Access & Competition Issues—Renewed Petition of the Western Coal Traffic League (Review of Rail Access), EP 575 et al., slip op. at 7-8 (STB served Oct. 30, 2007). (Weskan Reply 4-17, Jun. 15. 2026.) Weskan also argues that the transaction is contrary to the RTP. (Id. at 19-22.) Weskan therefore asks the Board to deny K&O's Petition; however, if the Board institutes a proceeding, Weskan asks the Board to allow for discovery and supplemental filings by the parties. (Id. at 24.)

Also on June 15, 2026, UP filed a reply in support of the Petition. UP argues that the Lease has not foreclosed, and will not foreclose, interchange or otherwise reduce competition for shippers. (UP Reply 1, Jun. 15, 2026.) UP contends that the interchange commitment meets the factors articulated by the Board in Review of Rail Access and that the Lease is in the public interest. (Id. at 2, 9, 14-20.)

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[1] K&O filed an errata to its petition on May 5, 2026, to correct an inadvertent omission.

The Petition, and the replies filed by Weskan and UP, raise issues that require consideration by the Board. Therefore, the Board will institute a proceeding under 49 U.S.C. § 10502(b).[2]

It is ordered:

1. Under 49 U.S.C. § 10502(b), a proceeding is instituted.

2. This decision is effective on its service date.

By the Board, Anika S. Cooper, Chief Counsel, Office of Chief Counsel.

[2] The Board will address any outstanding requests or motions in a subsequent decision.