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SURFACE TRANSPORTATION BOARD
Washington, DC 20423

Office of Economics, Environmental Analysis, and Administration

August 17, 2007

Linda McClelland, Keeper of the National Register
National Park Service
U.S. Department of the Interior
1201 Eye Street, NW
8th Floor (MS 2280)
Washington, DC 20005

RE: STB Finance Docket No. 34284, Southwest Gulf Railroad
Company, Construction and Operation in Medina County, TX

Dear Ms. McClelland:

Thank you for providing the Surface Transportation Board's Section of Environmental Analysis (SEA) with your comments in response to our request of June 8, 2007, for a determination of eligibility regarding the Quihi/Upper Quihi Rural Historic District. In your letter dated July 24, 2007, you ask for additional documentation from SEA regarding the Quihi/Upper Quihi Rural Historic District to complete your eligibility determination. Below, I summarize some recent developments in this proceeding that I believe render moot our prior request, and the need for any additional analysis during the environmental review process in the above-mentioned rail construction case.

SEA asked for your determination to assist us in resolving a dispute among some of the parties involved in this proceeding. At that time, the applicant, Southwest Gulf Railroad (SGR), strongly favored the "Proposed Route," which largely bisects the Rural Historic District, while others favored the eastern routes, two of which SEA had identified as environmentally preferable in its Supplemental Draft Environmental Impact Statement (EIS). However, circumstances have since changed. After we received your comments, we received a letter dated August 3, 2007 from SGR in which it indicates that SGR now supports the Eastern Bypass Route as the applicant's preferred route. SGR asks SEA to move forward with preparation of the Final EIS with a focus on the eastern routes and, in particular, the Eastern Bypass Route. On August 16, 2007, SEA wrote back to SGR to explain that SGR's change of position regarding its preferred route would be reflected in the Final EIS that is now being prepared. I have enclosed SGR's August 3rd letter and SEA's response for your reference.

On August 9, 2007, SEA participated in a conference call with Charlene Dwin Vaughan and Katry Harris of the Advisory Council on Historic Preservation and Lawrence Oaks, Executive Director of the Texas Historical Commission. The purpose of the call was to discuss appropriate next steps for SEA to take to complete the Section 106 process of the National Historic Preservation Act. The group agreed that SGR's

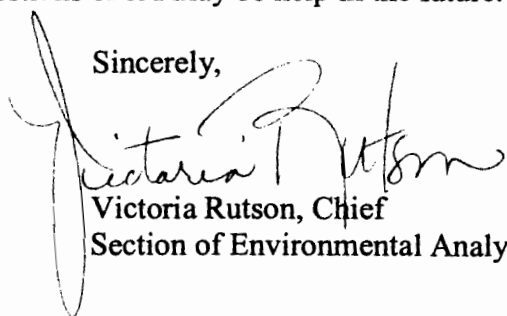
letter constitutes a substantial change to the circumstances presented when SEA wrote to the Keeper, and you responded. The group further agreed that SGR's rejection of the Proposed Route through the Quihi/Upper Quihi Rural Historic District in favor of a route to the east of this area renders moot SEA's request to the Keeper for a determination of eligibility regarding the Quihi/Upper Quihi Rural Historic District.

Moreover, and importantly, Mr. Oaks indicated that the State has already begun preparing a formal nomination of the Quihi/Upper Quihi Rural Historic District to the National Register of Historic Places. Any additional information about the District thus will be completed by the State, with appropriate assistance from other interested parties, as part of the formal nomination process.

Accordingly, the group concluded during the August 9th conference call that there is no reason to delay completion of SEA's Section 106 review in this proceeding by performing the additional analysis that you requested. Rather, as part of our process, now that it is clear that SGR supports going forward with one of the eastern routes, we intend to develop a Programmatic Agreement (PA) with SGR and the necessary consulting parties. The PA will focus on the eastern routes and will address the extent to which additional, route-specific archaeological and historic property analysis would be needed prior to the start of construction on the eastern route (or routes) that is ultimately selected (assuming that the Board ultimately approves the proposed construction), and the appropriate mitigation measures that must be taken should such sites be uncovered and identified once construction has begun. There will be ample opportunity for public review and comment on the PA by all interested parties before it is executed.

On behalf of SEA, I thank you for your assistance in helping us with the analysis of historic sites and structures regarding SGR's proposed rail line construction. Please do not hesitate to contact me if you have any questions or if I may be help in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Victoria Rutson". The signature is fluid and cursive, with a large loop at the end.

Victoria Rutson, Chief
Section of Environmental Analysis

cc: Charlene Dwin-Vaughan
Katry Harris
F. Lawrence Oaks
David Coburn

Enclosures

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August 3, 2007

Ms. Victoria Rutson
Chief
Section of Environmental Analysis
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423**Re: STB Finance Docket No. 34284, Southwest Gulf Railroad Company –
Construction and Operation Exemption – Medina County, TX**

Dear Ms. Rutson:

This will confirm my August 1, 2007, conversation with Ms. Diana Wood of your office, during which I advised that SGR has decided to support the Eastern Bypass alternative for the rail line it has proposed in Medina County. In connection with taking this decision, SGR notes continued uncertainty over the status of the Quihi area in terms of whether that area qualifies as an historic district eligible for listing on the National Register. The July 24, 2007, written report of the Keeper of the National Register, responding to the Board's June 8, 2007 request for a determination of eligibility for the claimed historic districts in the Quihi area, has failed to clarify the eligibility issue, expressly leaving a definitive finding of the historic significance of the Quihi area unresolved pending the Keeper's receipt of additional data and analysis.

SGR recognizes that awaiting any future eligibility determination by the Keeper would result in potentially extensive further delay of the STB's environmental review of SGR's rail proposal. SGR has made its decision concerning the Eastern Bypass in anticipation that the consequence of that decision will be that SEA will now move forward toward completing and issuing a Final EIS that focuses on the Eastern Alternatives that were identified as the environmentally preferable routes in the Draft Supplemental EIS. SEA also will now be in a position to forego further analysis of the sufficiency of SGR's proposed voluntary mitigation for the Preferred Route since SGR's prior offer of voluntary mitigation (as set forth in SGR's April 5, 2007 letter to SEA and others) is no longer operative in light of SGR's decision reported here.

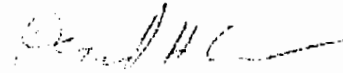
Ms. Victoria Rutson
August 3, 2007
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As it has stated in the past, and as the SHPO has favored, SGR is prepared to work with the Weiblen family to address its concerns about the Eastern Bypass route. SGR's preliminary review indicates that there are no serious obstacles to constructing its line along the alternative routing suggested by the Weiblen, although further engineering work would need to be done to confirm this preliminary view. SGR believes that SEA's recommended mitigation measure No. 5A is sufficient to address the concerns raised by the Weiblen and SGR will work in good faith with them in an effort to reach a satisfactory solution to their concerns.

With respect to cultural resources issues, SGR reiterates its support for the Draft Programmatic Agreement, which SEA has identified in the Draft Supplemental EA (at recommended mitigation measure No. 45) as the appropriate mitigation for any cultural resources impacts of the Eastern Alternative routes. SGR looks forward to working with SEA, the SHPO and the Advisory Council on promptly finalizing that PA.

We look forward to a prompt completion of the environmental process and to responding to any questions that SEA may have on the above.

Respectfully,



David H. Coburn
Attorney for Southwest Gulf Railroad

cc: Ms. Diana Wood
Ms. Catherine Glidden
Ms. Jaya Zyman-Ponebshek
Mr. Larry Oaks
Ms. Charlene Dwin-Vaughn

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

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Office of Economics, Environmental Analysis, and Administration

August 16, 2007

David Coburn, Esq.
Steptoe & Johnson
1330 Connecticut Avenue, NW
Washington, DC 20036-1795

RE: STB Finance Docket No. 34284, Southwest Gulf Railroad Company,
Construction and Operation in Medina County, TX

Dear Mr. Coburn:

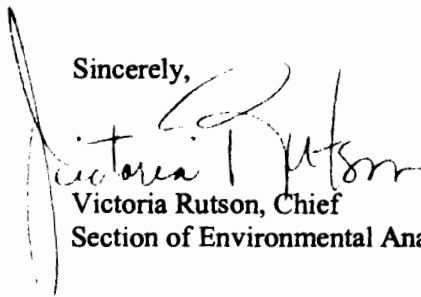
This letter acknowledges that the Board's Section of Environmental Analysis (SEA) has received your letter of August 3, 2007, indicating that the Southwest Gulf Railroad (SGR) has decided to support the Eastern Bypass alternative for the rail line that it prefers in Medina County, rather than its original Proposed Route to the west. As you are aware, SEA had determined in its Supplemental Draft Environmental Impact Statement (EIS) that two of the eastern routes assessed, the Eastern Bypass and the MCEAA Alternative, would, in SEA's view, be environmental preferable to the Proposed Route. As a result of that, and your letter, the Final EIS, which SEA is currently preparing, will focus on the various Eastern Alternatives.

In addition, SEA agrees with you that the sufficiency of SGR's voluntary mitigation plan, which applies solely to the Proposed Route, need no longer be considered, given SGR's decision to support the Eastern Bypass.

With respect to cultural resource issues, SEA will now work to develop an appropriate Programmatic Agreement (PA) with SGR and the necessary consulting parties. The PA will focus on the eastern routes and will address the extent to which additional, route-specific archaeological and historic property analysis would be needed prior to the start of construction on the eastern route (or routes) that ultimately might be selected (assuming that the Board ultimately approves the proposed construction), and the appropriate mitigation measures that would be required should such sites be uncovered and identified once construction has begun. There will be ample opportunity for public review and comment on the PA by all interested parties before it is executed.

Thank you for your letter, which SEA has placed on the Board's website and in the public docket for this proceeding. Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,



Victoria Rutson, Chief
Section of Environmental Analysis