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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.

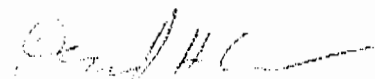
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As it has stated in the past, and as the SHPO has favored, SGR is prepared to work with the Weiblen family to address its concerns about the Eastern Bypass route. SGR's preliminary review indicates that there are no serious obstacles to constructing its line along the alternative routing suggested by the Weiblens, 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 Weiblens 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