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January 16, 2007

F. Lawrence Oaks
State Historic Preservation Officer
Texas Historical Commission
1511 Colorado
Austin, TX 78711

**Re: Southwest Gulf Railroad Company, Medina County, TX
Project Review Under Section 106 of the National Historic Preservation Act of 1966**

Dear Mr. Oaks:

Thank you for meeting with me, Tom Ransdell and Clay Upchurch on January 11 to discuss the Southwest Gulf Railroad ("SGR") matter. I thought that it would be useful to reiterate in writing the terms of the proposed agreement that SGR raised for your consideration, and appropriate to copy on this letter the STB's Section of Environmental Analysis ("SEA"), Advisory Council on Historic Preservation and each of the Section 106 consulting parties for their information. SGR fully appreciates the THC's interest in supporting alignments for the SGR rail route that avoid, minimize or mitigate impacts to cultural resources, and particularly to the Quihi Rural Historic District ("District"), as it has been defined by the Rural Historic Landscape Study submitted with the Supplemental Draft EIS. In that regard, SGR understands the THC's support for the Eastern routes that are addressed in the Supplemental Draft EIS. SGR also understands that the THC will timely offer its views on those routes to the SEA.

SGR hopes, however, that the THC also will give consideration to the proposal that SGR has made for additional mitigation with respect to the Proposed Route. That proposal is designed to build on the natural advantages of the Proposed Route by mitigating its impact on cultural resources. The benefits of the Proposed Route include (1) a shorter length (essentially a straight line) and, related to that, a smaller footprint in the area than any of the Eastern routes under consideration; (2) likely fewer impacts to irrigated farmland than the Eastern alternative routes; (3) less cut and fill than any of the Eastern routes and therefore less disturbance to the area in general; (4) an alignment that traverses as much as possible along property boundaries and thus that is generally less intrusive than the Eastern alternatives to agricultural and other land uses for the property being traversed; (5) many fewer affected

properties not owned by SGR or affiliates; (6) fewer impacts to biological habitats than any of the Eastern routes and (7) lower construction costs and operating costs, as well as lower air emissions.

SGR notes that the no-action proposal -- which would contemplate a substantial volume of truck transport between the quarry site and a rail loading area that would be constructed near U.S. 90 -- also remains an option for Vulcan. In SGR's view, the economics favoring rail transportation along the Proposed Route over truck transportation are significant, but diminish meaningfully to the extent that a longer rail route such as any of the Eastern routes would be the only permitted options available. Thus, Vulcan could decide that it would have no choice but to consider truck transportation, at least for some period of time in that circumstance. In that event, routing of dozens of trucks through the District unfortunately would be unavoidable, and in SGR's view the impacts of such trucks would be much greater than the impact of two trains/day running through the area in each direction.

Of course, SGR recognizes that the Proposed Route also traverses the District. Even though it avoids the area of highest concentration of historic structures in that District (which is located in the southwest portion of the District), the Route would unavoidably have some impacts to the area. To specifically address the issues raised by that situation, and mitigate the impacts to the greatest degree possible, SGR has developed the following proposal for your consideration and the consideration of the Board's Section of Environmental Analysis:

1. SGR would offer a conservation easement on the property that it or its affiliates own in the Historic District proximate to the rail line. The easement would be designed so that THC would be in a position to control development on the property subject to the easement. The easement would be in place for a distance of at least about 1.3 miles, constituting almost half of the length of the portion of the Proposed Route traversing the District. Further, SGR would not oppose (and in fact would encourage) other landowners in the boundaries of the District from which it would need to acquire its right of way to establish similar conservation easements under which THC could exercise authority to control development within the District.

2. During the final engineering phase, SGR would adjust the alignment of the Proposed Route pursuant to a process that would be spelled out in a Programmatic Agreement to entirely avoid any direct impacts to specific contributing elements in the District, including the stone wall and any other structures identified in the Landscape Study. SGR would work closely with its own cultural resources consultant and consult with THC in doing so. In this regard, SGR is prepared to adjust the alignment of the Proposed Route so that it would follow a portion of Alternative 3 to avoid the stone wall and also traverse along a portion of a pipeline right of way already in the District.

3. By virtue of the construction cost savings that it would achieve were it able to construct the Proposed Route as opposed to any one of the Eastern alternatives, SGR would be in a position to provide a substantial contribution to the Texas Preservation Trust Fund for THC's discretionary use in supporting grants and loans designed to encourage preservation, rehabilitation, restoration or similar goals within the District. I have further discussed this contribution with my client and have been advised that the contribution would be in an amount of \$500,000. Further, SGR is prepared to work

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with you and your staff to structure this contribution in a manner such that the amount of the contribution might be eligible, to the extent possible, for possible matching by government funds, or otherwise might prove as beneficial as possible to the advancement of the THC's goals in the area.

4. Vulcan and SGR would support the adoption of any local historic preservation ordinance that might be designed to preserve the historic integrity of the District and the listing of the District on the National Register. SGR would also be prepared to maintain natural vegetation in the area of the Proposed Route to mask the rail line to the greatest degree possible.

In regard to this last element of the proposal and the project generally, it bears note that SGR proposes only to construct a single track line that will not be visible unless one is very close to the line. In addition, as we discussed, the proposed line will be a very light density line, with only a very small number of trains (projected at two in each direction) operating over it daily. It also bears note that SGR believes that the portion of the line that would be most attractive to other shippers and thus the portion of the line potentially most likely to see additional traffic would be at the far south end of the line, in the area proximate to U.S. 90 and the proposed connection with the Del Rio subdivision of the Union Pacific. This area is almost two miles south of the southern boundary of the District. In this area, all of the alternatives under review, including the Eastern route alternatives, follow essentially the same routing.

SGR hopes that you will give further due consideration to these proposals and trust that you will agree that if this mitigation were provided, the benefits of building the line along the proposed route could be achieved. SGR looks forward to your views and to working with you and other interested parties to achieve a mutually satisfactory result in this matter.

Respectfully,



David H. Coburn
Attorney for Southwest Gulf Railroad

cc: Ms. Victoria Rutson, SEA
Ms. Rini Ghosh, SEA
Donald Klima, ACHP
Honorable Ciro Rodriguez
Mr. Robert Hancock, Medina County Historical Commission
Mr. Jim Arterberry, Comanche Nation
Mr. Archie Gerdes
Dorla Goomby, Kiowa Tribe of Oklahoma
Robert Fitzgerald, MD, MCEAA
Holly Houghton, Mescalero Apache Tribe

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Mrs. Cynthia Lindsey, Quihi & New Fountain Historical Society
Carol Carpenter, Schweers Historical Foundation
Raymond Hernandez, Tap Pilam Tribal Council
Troy Johanntoberns, Wichita and Affiliated Tribes of Oklahoma