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May 3, 2006

Ms. Victoria Rutson
Chief
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.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 update you concerning developments with respect to the permitting of the Vulcan quarry that will be served by the rail line proposed by Southwest Gulf Railroad. While the quarry is not the subject of the Environmental Impact Statement that your office is preparing on the rail project, we assume that the Final EIS in this matter (like the Draft EIS) will address cumulative impacts associated with the quarry and thus thought it appropriate to further update you on the quarry status.

As you know, Vulcan has recently filed with the Texas Commission on Environmental Quality (TCEQ) an application for a Water Pollution Abatement Plan (WPAP) relative to the quarry. As we have previously advised (see my February 15, 2005 letter), a WPAP application is required for any TCEQ-regulated activity that occurs on the Edwards Aquifer Recharge Zone, including the construction of roads or buildings, excavations, etc. See Texas Admin. Code, Title 30, Chap. 213, Rule 213.5. The purpose of the WPAP is to address any water pollution issues that may result from activities, such as rock crushing, that are subject to TCEQ regulation.

Vulcan's WPAP application sets forth a geological assessment of the area, which was completed following an extensive study of the site's geological features. In addition to the geologic assessment, Vulcan's WPAP application includes, as per the regulations governing WPAP permits, a technical report which addresses a variety of data concerning, e.g., stormwater runoff, area of the quarry site expected to be disturbed, and a description of best management practices to be adopted by the quarry to address any potential pollution issues and ensure no detriment to the aquifer.

Vulcan's WPAP application is in draft form and is currently pending for review before the TCEQ. That agency has the authority to require changes to the draft WPAP or to request the submission of additional information. Once the application process is completed, and any final WPAP issued for the quarry, as a matter of information we will supply SEA with a copy of any such approved WPAP issued by the TCEQ.

Further, we note your office has been copied on an April 21, 2006 letter written by MCEAA's attorney to the TCEQ in response to Vulcan's WPAP application relative to the quarry. That letter, which is primarily focused on issues relating to Vulcan's WPAP application submitted to the TCEQ, makes inaccurate and unsubstantiated claims about the Vulcan WPAP application. Vulcan will address those issues in a response that will be submitted directly to the TCEQ.

However, seemingly in an effort to inject unrelated issues concerning the proposed SGR rail line into the TCEQ proceeding, MCEAA's letter to the TCEQ is also critical of SGR and SEA's environmental review of the rail line as reflected in the Draft EIS issued in this proceeding. Curiously, the MCEAA letter directs all of these criticisms to Vulcan. For example, the letter claims at pages 4-5 that Vulcan (1) argues that it has no responsibility to assess cumulative impacts from the quarry; (2) "pretend[s]" that the rail line is a common carrier line and that the quarry could be truck-served; and (3) maintains that the quarry and rail line are not connected actions under NEPA. Further, MCEAA states that Vulcan was wrong in "submitting a Draft EIS" which MCEAA claims is deficient in several respects, including its analysis of vibration from the quarry and rail line, of flooding that might result from trestle bridges and of impacts to historic properties.

MCEAA's contentions relative to the rail line and SEA's Draft EIS in its April 21 letter to the TCEQ are both misdirected and wide of the mark. For example, MCEAA's suggestion in its letter to the TCEQ that Vulcan prepared or submitted the Draft EIS on the SGR rail line is grossly wrong. As MCEAA well knows, the Draft EIS was prepared by SEA, with the assistance of a third party contractor, not by either Vulcan or SGR. To the extent that MCEAA disagrees with conclusions reached by SEA in the Draft EIS (as it clearly does), it has had ample opportunity to bring those to the attention of SEA, and has in fact submitted comments on the Draft EIS. MCEAA will continue to have opportunity to comment on rail line issues once SEA issues its Supplemental EIS on some additional rail alignments now under consideration.

Contrary to another MCEAA contention, SGR (and Vulcan) recognize that a cumulative impacts analysis by SEA of the rail line and the quarry is appropriate. SGR in fact fully supports SEA's determination, as reflected in the Draft EIS, to undertake a cumulative impacts analysis and has submitted a great deal of data to SEA to support that analysis. SGR will continue to cooperate with SEA in providing any additional information that may be needed for SEA's further environmental efforts.

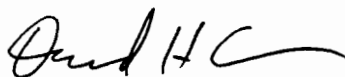
In addition, as SEA has previously recognized -- MCEAA's views notwithstanding -- the development of the quarry (unlike the rail line) is not an action that requires federal approval and thus not an action that triggers environmental review under NEPA. In that regard, SEA should continue to reject MCEAA's contentions that the quarry would not operate but for the rail line and that the quarry

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and rail line are "connected actions" warranting NEPA review of both. Substantial data has been submitted to SEA to show that the quarry could and would be truck-served were there no rail line. The air quality permit submitted by Vulcan to the TCEQ in fact assumes for purposes of its air quality calculations that the quarry will be truck served. These and other rail-related NEPA issues raised by MCEAA in its April 21 letter have been previously addressed in detail by SGR and will not be further addressed here.

Please let me know if you have any questions concerning any of these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "David H. Coburn", with a stylized flourish at the end.

David H. Coburn
Attorney for Southwest Gulf Railroad

cc: Mr. Richard Garcia, TCEQ
Mr. Robert Potts, EAA
Ms. Rini Ghosh
Ms. Jaya Zyman-Ponebshek