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FILED

JUL 20 2006

**SURFACE
TRANSPORTATION BOARD**

July 20, 2006

BY HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, D.C. 20423-0001

FEE RECEIVED

JUL 20 2006

**SURFACE
TRANSPORTATION BOARD**



Re: Finance Docket No. 34901, Hondo Railway, LLC –
Lease and Operation Exemption – Rail Lines in Medina
County, TX

Dear Secretary Williams:

Enclosed for filing in the referenced docket please find and original and ten copies of the Verified Notice of Exemption of Hondo Railway, LLC, together with a CD-Rom containing the filing in electronic form. We are also submitting a check in the amount of \$1,500.00 to cover the requested filing fee.

An additional copy of the Notice is also enclosed. Kindly indicate receipt of the filing by time-stamping this extra copy and returning it to the bearer of this letter. Thank you for your consideration in this matter.

Sincerely,

Kelvin J. Dowd

An Attorney for Hondo Railway, LLC

Enclosures

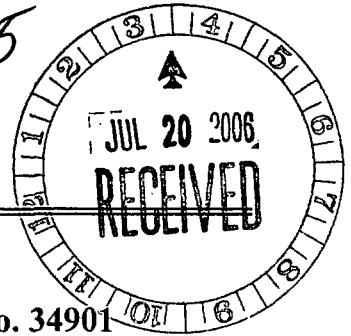
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Office of Proceedings
JUL 20 2006
Part of
Public Record

ENTERED
Office of Proceedings

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Part of
Public Record

2/7/05
**BEFORE THE
SURFACE TRANSPORTATION BOARD**



HONDO RAILWAY, LLC

- LEASE AND OPERATION

EXEMPTION - RAIL LINES IN

MEDINA COUNTY, TEXAS

Finance Docket No. 34901

VERIFIED NOTICE OF EXEMPTION

Hondo Railway, LLC ("HRC"), a new Class III railroad company, pursuant to 49 C.F.R. Part 1150.31-34, files this Verified Notice of Exemption from the prior approval requirements of 49 U.S.C. § 10901, to permit HRC to lease and operate over approximately 13,200 feet of track in the vicinity of Hondo, Medina County, Texas (the "Track"). The Track is owned by South Texas Liquid Terminal, Inc. ("STLT"), a non-carrier, and will be leased by HRC.

In support hereof, HRC shows as follows:

(a) Full Name and Address of Applicant

Hondo Railway, LLC
9901 IH-10 West, Suite 795
San Antonio, TX 78230

(b) Name and Address of Applicant's Representatives

Kelvin J. Dowd
Stephanie M. Pisanelli
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

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TRANSPORTATION BOARD**

(c) Statement Regarding Agreement

HRC has reached agreement with STLT on terms to govern the lease of the Track and HRC's operations thereover. The parties anticipate concluding the transaction promptly following the effective date of the exemption noticed hereby. HRC is a newly created railroad company, formed and owned by Mr. Mark Holland and Mr. Donald Lee. Upon commencement of operations, HRC will be the only carrier controlled by Mr. Holland and Mr. Lee.

(d) Operation of the Property

Once the lease instrument is executed by the parties and the exemption noticed hereby takes effect, HR will be the operator of the line.

(e) Summary of the Transaction

STLT is in the process of developing an industrial park and transportation terminal transloading facilities in the vicinity of Hondo, Texas. The Track and appurtenant transportation facilities will enable terminal tenants to receive inbound and originate outbound freight shipments from and to points throughout the United States, via BNSF Railway Company ("BNSF") and Union Pacific Railroad Company ("UP"), both of which will interchange traffic with HRC.¹ HRC will maintain and operate the Track, provide switching and related rail services to terminal tenants and other shippers that

¹ The Track is appurtenant to UP's Del Rio Subdivision. Following the *Union Pacific/Southern Pacific Merger*, 1 S.T.B. 233 (1996) (*Decision No. 44*), the parties executed the "BNSF Agreement" which grants BNSF trackage rights over this section of UP's system and also will permit BNSF to access the new STLT transload facilities.

utilize the terminal facilities, and effect the interchange and delivery of inbound and the origination and interchange of outbound line-haul rail shipments with BNSF and UP.

(f) Map

See Exhibit No. 1.

(g) Certificate of Projected Revenue

Pursuant to 49 C.F.R. Part 1150.33(g), HRC hereby certifies that its projected revenues will not exceed those that would qualify it as a Class III carrier, and that this transaction will not result in the creation of a Class I or Class II carrier.

Although uncertainty regarding the eventual scope of common carrier services to be provided by HRC makes a precise estimate impossible at this time, upon information and belief, HRC's projected annual operating revenues will not exceed \$5 million.

(h) Environmental and/or Historical Documentation

The proposed transaction qualifies under 49 C.F.R. Part 1105.6(c)(2), and as such, no environmental documentation is required. Likewise, inasmuch as the transaction involves the initiation of rail services and HRC has no plans to alter or to dispose of any properties subject to STB jurisdiction that are fifty years old or older, the transaction does not require an historic report, in accordance with 49 C.F.R. Part 1105.8(b).

(i) Caption Summary

See Exhibit No. 2.

Respectfully submitted,

Hondo Railway, LLC
9901 IH-10 West, Suite 795
San Antonio, TX 78230

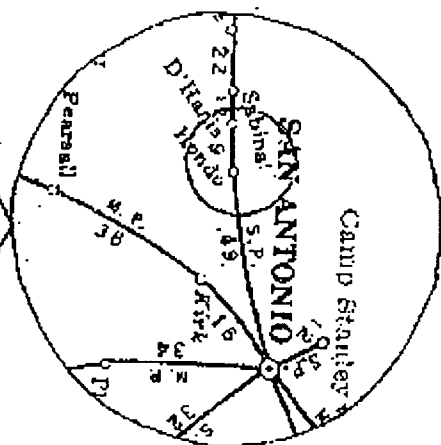
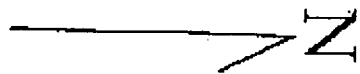
Of Counsel
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

By: Kelvin J. Dowd
Stephanie M. Pisanelli 
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Dated: July 20, 2006

Attorneys & Practitioners

EXHIBIT NO. 1
MAP



Legend

----- LINES TO BE LEASED

Hondo Railway, LLC
Proposed Track

Union Pacific Del Rio Subdivision

Finance Docket No. 34901

HONDO RAILWAY, LLC
– LEASE AND OPERATION EXEMPTION –
RAIL LINES IN MEDINA COUNTY, TEXAS

Hondo Railway, LLC, a Class III railroad, has filed a Verified Notice of Exemption to lease and operate over approximately 13,200 feet of track in and adjacent to terminal facilities in the vicinity of Hondo, Texas. The track is owned by South Texas Liquid Terminal, Inc., a non-carrier. Comments must be filed with the Board and served on Kelvin J. Dowd, Slover & Loftus, 1224 Seventeenth Street, N.W., Washington, D.C. 20036, (202) 347-7170.

This Notice is filed under 49 C.F.R. Part 1150.31. If the Notice contains false or misleading information, the exemption is void *ab initio*. Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

VERIFICATION

STATE OF TEXAS

COUNTY OF BEKAR

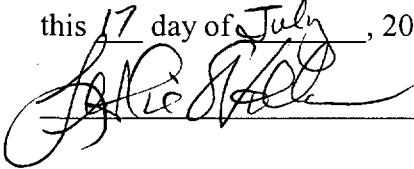
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SS:

Mark Holland, being duly sworn, deposes and says that he is an officer of Hondo Railway Corporation, that he has read the foregoing Notice and knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.


Mark Holland

Sworn and subscribed before me
this 17 day of July, 2006

 Notary Public

My Commission expires: 2/28/07

