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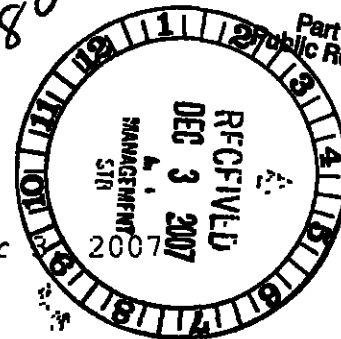
BY HAND

FILED
DEC 3 - 2007

**SURFACE
TRANSPORTATION BOARD**

Hon. Vernon A. Williams
Surface Transportation Board
395 E Street SW Street - Suite 1260
Washington, D.C. 20423-0001

226880



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December 2007

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TRANSPORTATION BOARD

RE: FD No. 35108, Permian Basin Railways, Inc. -
Acquisition of Control Exemption - Mount Hood Railroad

RE: FD No. 35109, Arizona Eastern Railway Inc. -
Acquisition and Operation Exemption - Union Pacific
Railroad Company

Dear Mr. Williams:

On behalf of Petitioners Permian Basin Railways, Inc. and Arizona Eastern Railway, Inc., I am filing an original and ten copies of:

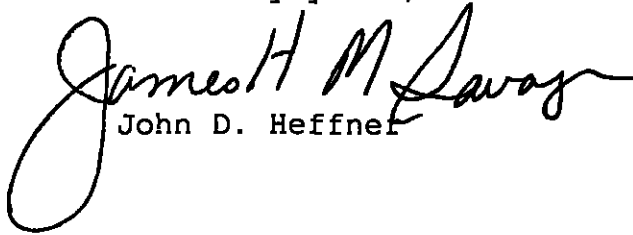
(1) a verified notice of exemption under 49 CFR 1180.2(d) (2) for acquisition of control by Permian Basin Railways, Inc., of Mount Hood Railroad;

(2) a verified notice of exemption under 49 CFR 1150.41 for acquisition and operation Arizona Eastern Railway, Inc., of Union Pacific Railroad's Clifton Subdivision.

I am also enclosing one check payable to the Board for \$2,700 to cover the applicable filing fees for both matters and computer disk formatted in Word containing these filings.

Please date stamp and return one copy of this filing.

Sincerely yours,

 **FOR**
John D. Heffner

cc: Mr. Edwir Ellis

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB Finance Docket No. 35108

PERMIAN BASIN RAILWAYS, INC.
- ACQUISITION OF CONTROL EXEMPTION -
MOUNT HOOD RAILROAD

VERIFIED NOTICE OF EXEMPTION
UNDER 49 CFR § 1180.2(d)(2)

Respectfully submitted,

Permian Basin Railways, Inc.

By its attorney,

John D. Heffner
John D. Heffner, PLLC
1750 K Street, NW
Suite 350
Washington, D.C. 20006
(202) 296-3334

Dated: December 1, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB Finance Docket No. 35108

PERMIAN BASIN RAILWAYS, INC.
- ACQUISITION OF CONTROL EXEMPTION -
MOUNT HOOD RAILROAD

VERIFIED NOTICE OF EXEMPTION
UNDER 49 CFR § 1180.2(d)(2)

COMES now Permian Basin Railways, Inc. ("Permian"), a noncarrier and short line railroad holding company, and states as follows:

1. Pursuant to the provisions of section 1180 of the Board's Railroad Consolidation Rules (49 CFR 1180), Permian hereby gives notice of a transaction that qualifies for an exemption under section 1180.2(d)(2) of those rules.

2. Permian Basin Railways (PBR) is a wholly-owned subsidiary of Iowa Pacific Holdings (IPH). PBR was formed in May, 2002, as a Class III short line to purchase the Texas - New Mexico Railroad (TNMR) and the West Texas & Lubbock Railway (WTLC). Subsequent Class III short line railroad acquisitions by IPH have been under the umbrella of PBR. In addition to TNMR and WTLC, PBR owns the Arizona Eastern Railway (AZER), acquired in December 2004, the San Luis & Rio Grande Railroad (SLRG)

acquired in December 2005, and the Chicago Terminal Railway (CTR) acquired in November 2007. The lines of these railroads do not connect with each other or with the Mount Hood Railroad (MHRR) and there are no plans to connect them.

3. On or about December 31, 2007, Permian will acquire 100% of the outstanding stock of the MHRR from the current individual shareholders.

4. Under section 1180.2(d)(2) of the Board's consolidated rules, certain transactions are automatically exempt from the prior approval requirements for common control. Specifically, section 1180.2(d)(2) exempts the acquisition of nonconnecting carriers where (i) the railroads will not connect with each other or any railroad in their corporate family, (ii) the acquisition is not part of a series of anticipated transactions that would connect the railroads with each other or any railroad in their corporate family; and (iii) the transaction does not involve a class I carrier.

5. In order to claim the section 1180.2(d)(2) exemption, section 1180.4(g) requires the filing of a verified notice of exemption furnishing the information requested in sections 1180.6(a)(1)(i) - (iii), 1180.6(5) - (6), and 1180.6(a)(7)(ii) of those rules. That information is provided as follows:

Summary or Proposed Transaction: **49 CFR § 1180.6(a)(1)(i)**

Permian proposes to acquire 100% of the stock of MHRR, a short line railroad, from its current shareholders. This short line does not connect to Permian's existing short line railroad subsidiaries. But for the availability of this exemption, Permian would have to obtain Board approval to acquire MHRR under 49 U.S.C. 11323.

Applicant's name, address, and telephone number:

Permian Basin Railways, Inc.
P.O. Box 618181
Chicago, IL 60661
312-466-0900

Legal counsel to whom questions should be addressed:

John D. Heffner
John D. Heffner, PLLC
1750 K Street, NW - Suite 350
Washington, D.C. 20006
(202) 296-3334

Schedule for consummation: **49 CFR § 1180.6(a)(1)(ii)**

The parties intend to consummate the proposed transaction on or about December 31, 2007.

Purpose to be accomplished by the transaction: **49 CFR §**
180.6(a)(1)(iii)

The purpose of this transaction is to acquire control of the MHRR, a scenic excursion and light density freight short line by a larger, financially sound, low overhead entrepreneurial short line operator. Permian has a strong record of profitably operating rail lines that had been marginal performers for their prior owners. Permian intends to work closely with the local community on developing the potential of this rail line.

State(s) in which the property of each carrier is situated:

49 CFR § 1180.6(a) (5)

Arizona, Colorado, Illinois, New Mexico, Oregon, Texas.

Map: **49 CFR § 1180.6(a) (6)**

Attached hereto as Exhibit A.

Copy of Agreement: **49 CFR § 1180.6(a) (7) (ii)**

Applicant will furnish the Board a copy of the final, executed Purchase and Sale Agreement under seal if the Board requests one.

Other information / Certification:

Permian hereby certifies that (1) the lines of the rail carrier to be acquired pursuant to this notice of exemption do not connect with Permian's existing short line subsidiaries, (2) the subject acquisition proceeding is not a part of a series of anticipated transactions that would connect the railroads with each other or any railroad in their corporate family, and (3)

the transaction does not involve a Class I carrier or create a Class II carrier.

Environmental and historical considerations:

This acquisition of control proceeding is exempt from environmental review under 49 CFR 1105.6(c)(2)(i) because the proposed action will not cause any operating changes that exceed the thresholds established in 49 CFR 1105.7(e)(4) or (5). In addition, this proceeding is exempt from historic review under 49 CFR 1105.8(b)(1) because there are no plans to dispose of or alter properties subject to Board jurisdiction that are at least 50 years old. Accordingly, no historic report is required.

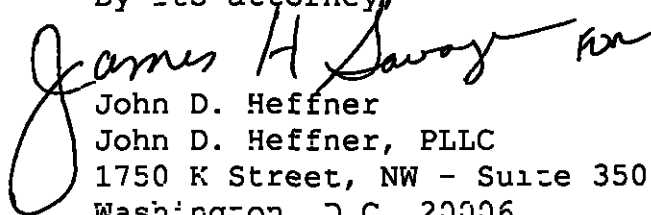
Labor Protection to be Imposed

No labor protection applies to transactions involving only Class III railroads. See, 49 U.S.C. 11326(c).

Respectfully submitted,

Permian Basin Railways, Inc.

By its attorney,


John D. Heffner
John D. Heffner, PLLC
1750 K Street, NW - Suite 350
Washington, D.C. 20006
(202) 296-3334

Dated: December 3, 2007

EXHIBIT A

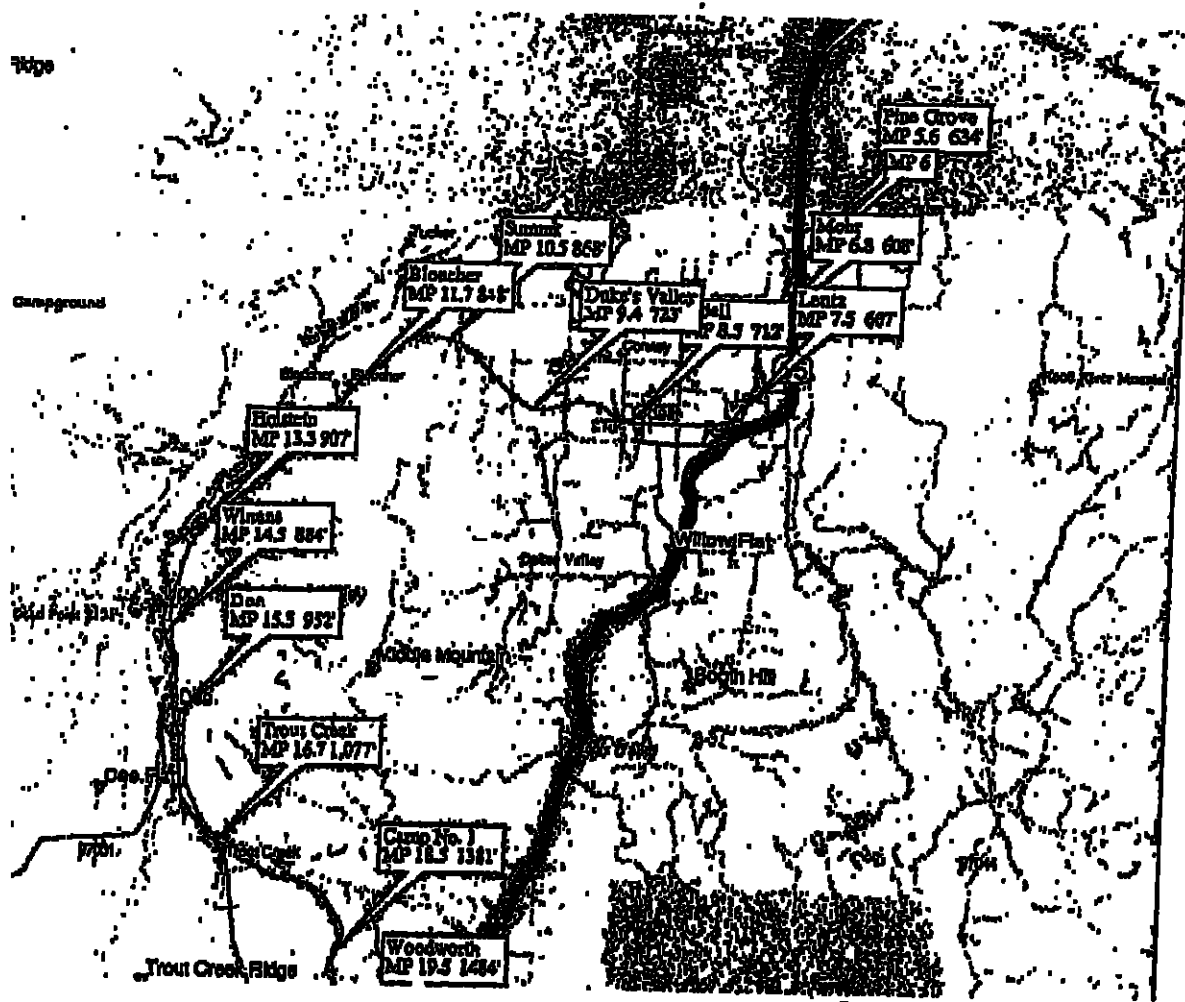
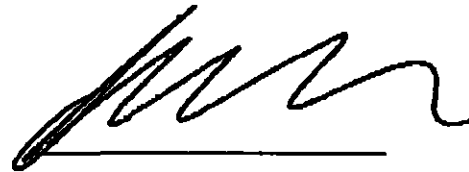


EXHIBIT B

"Pursuant to 28 U.S.C. 1746, I declare and verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on: 11/30/07.

A handwritten signature in black ink, consisting of several stylized, overlapping loops and strokes, positioned above a horizontal line.

[signature]