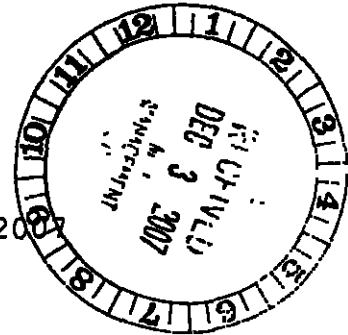


LAW OFFICE
JOHN D. HEFFNER, PLLC
1750 K STREET, N.W.
SUITE 350
WASHINGTON, D.C. 20006
PH: (202) 296-3333
FAX: (202) 296-3939

COPY

BY HAND

December 3, 2007



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

ENTERED
Office of Proceedings

DEC 4 - 2007

Part of
Public Record

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

220881

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:

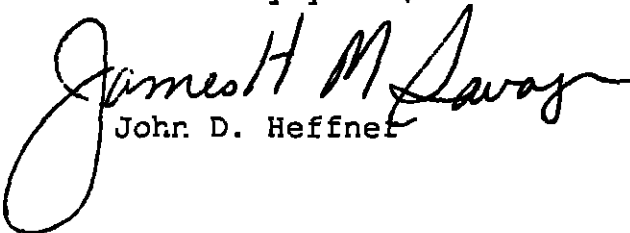
(1) a verified notice of exemption under 49 CFR 1180.2(d)(2) for acquisition of control by Permian Basin Railways, Inc., of Mount Hood Railroad;

(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,


John D. Heffner *WR*

cc: Mr. Edwin Ellis

FILED

DEC 3 - 2007

**SURFACE
TRANSPORTATION BOARD**

FEE RECEIVED

DEC 3 2007

**SURFACE
TRANSPORTATION BOARD**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35109

220881

**ARIZONA EASTERN RAILWAY, INC.
-- ACQUISITION AND OPERATION EXEMPTION --
UNION PACIFIC RAILROAD COMPANY**

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 U.S.C. 10902 and 49 CFR 1150.41**

NOTICE OF ACQUISITION AND OPERATION OF RAIL LINE

INFORMATION REQUIRED BY 49 CFR 1150.43

**ENTERED
Office of Proceedings**

DEC 4 - 2007

**Part of
Public Record**

Name and Address of Applicant **49 CFR 1150.43(a)**

Arizona Eastern Railway, Inc.¹
C/o Iowa Pacific Holdings, LLC
118 South Clinton
Suite 300
Chicago, IL 60611

Applicant's Representative **49 CFR 1150.43(b)**

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

Statement of Agreement(s) **49 CFR 1150.43(c)**

¹ The name and address of the Seller are Union Pacific Railroad Company, 1400 Douglas Street, Omaha, NE 68179.

Iowa Pacific Holdings LLC ("IPH") on behalf of its wholly-owned subsidiary Arizona Eastern Railway, Inc. ("AZER") expects to executed an agreement snortly with the Union Pacific Railroad Company ("UP") for the purchase and operation of rail property known as the Clifton Subdivision between milepost 1150.00 at Lordsburg, NM, and milepost 1217.70 at Clifton, AZ. The subject rail property totals approximately 67.7 miles in length.

AZER plans to commence operations on or after February 1, 2008, more than thirty days after the filing of this notice.

Operator of the Property

49 CFR 1150.43(d)

In all cases anticipated by this Notice, and as described in the transaction summary provided below, AZER will hold itself out to provide common carrier rail freight service over the subject rail property.

Brief Summary of Transaction

49 CFR 1150.43(e)

This exemption involves the purchase and operation by AZER, an existing class III short line railroad subsidiary of IPH.² AZER will replace service presently being performed by UP. Shippers will benefit insofar as AZER will market its service so as to be more responsive to the needs of local customers. Moreover, AZER's lower cost

² IPH owns AZER through its wholly owned subsidiary Permian Basin Railways, Inc. ("Permian").

structure will enable it to provide service at lower rates than a class I railroad can provide.

Certificate of Carrier Classification **49 CFR 1150.43(g)**

AZER certifies that, with this acquisition, that its projected annual revenues will not result in the creation of a class I or class mail carrier. A certificate complying with the provisions of 49 CFR 1150.43(g) is attached as Exhibit B to this notice.

Labor Protection

Under 49 U.S.C. 10902 labor protective conditions do not apply and will not be imposed.

Caption Summary **49 CFR 1150.44**

A caption summary in the prescribed form is attached as Exhibit C to this Notice.

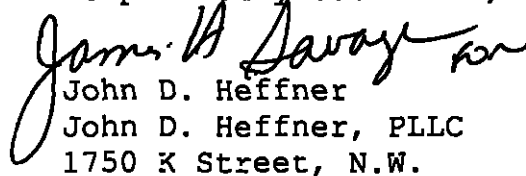
Environmental and Historic Preservation Data **49 CFR 1105**

Pursuant to 49 CFR 1105.6(c)(2), the proposed transaction is exempt from environmental review under 49 CFR 1105(c)(2)(i), because the actions proposed herein will not cause any operating changes that exceed the thresholds established in 1105.7(e)(4) or (5).

In addition, this transaction is exempt from historic review under 1105.8(b)(1). Under this section, a sale, lease or transfer of a rail line is exempt if rail

operations will continue. Further Board approval is required for the parties to abandon service, and there are no plans to dispose of or alter the properties subject to Board jurisdiction.

Respectfully submitted,

Handwritten signature of John D. Heffner in cursive script.

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

Counsel for Petitioner

Dated: December 3, 2007

EXHIBIT B

CERTIFICATION

I, Edwin Ellis, an officer of Arizona Eastern Railway hereby certify under penalty of perjury that the projected annual revenues of Arizona Eastern, in the aggregate, will not result in the creation of a class II or class I rail carrier as to require processing under 49 CFR 1150.45. Further, I certify that I am qualified and authorized to make this certification on behalf of Arizona Eastern.



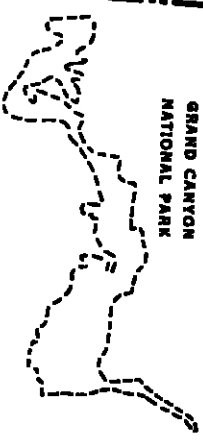
Signature

U T A H

RAND McNALLY
HANDY RAILROAD MAP
Arizona
AND
New Mexico

Copyright by Rand McNally & Company
Made in U.S.A.

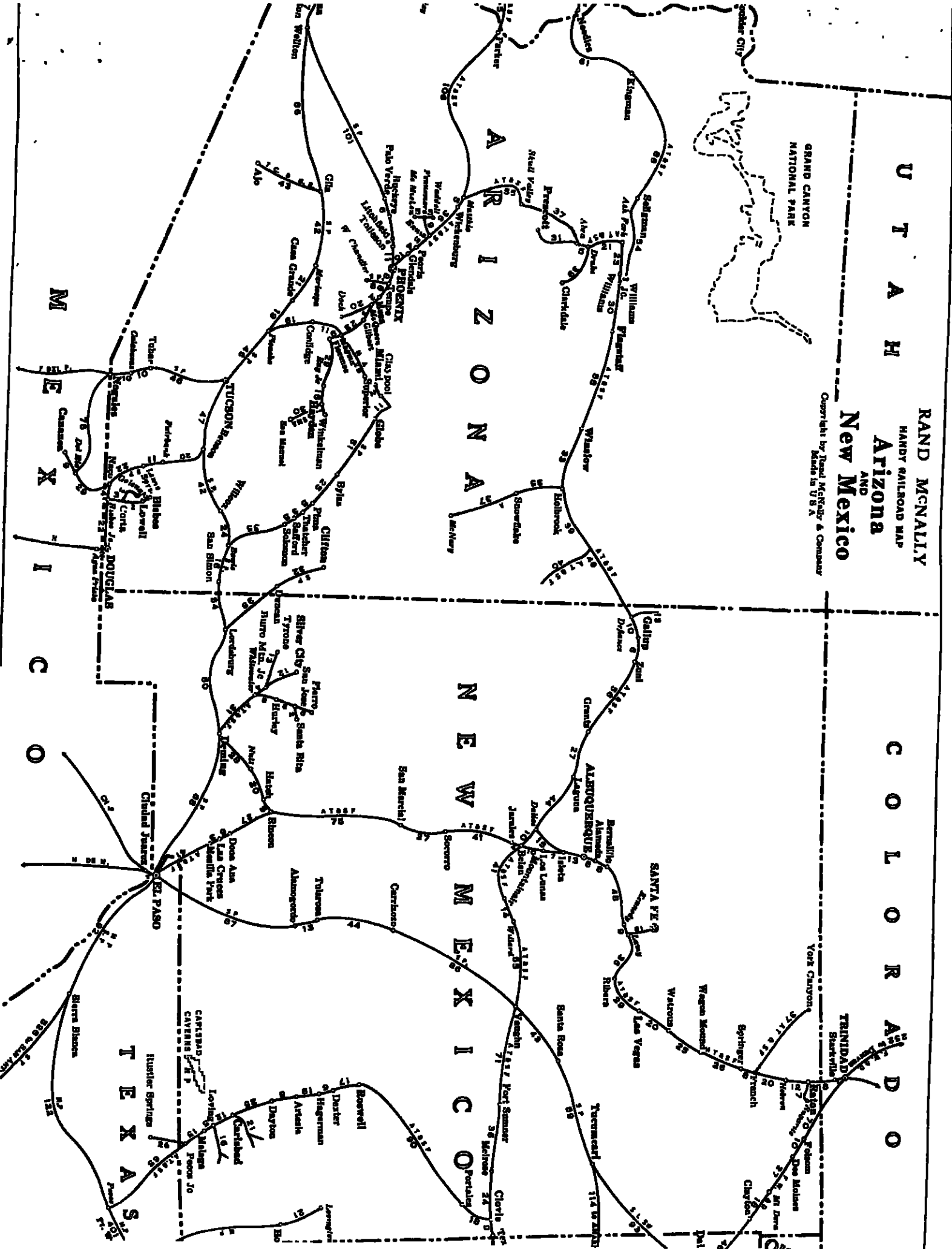
GRAND CANYON
NATIONAL PARK



C O L O R A D O

A R I Z O N A

N E W M E X I C O



T E X A S

EXHIBIT C

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35109

**ARIZONA EASTERN RAILWAY, INC.
-- ACQUISITION AND OPERATION EXEMPTION --
UNION PACIFIC RAILROAD COMPANY**

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 U.S.C. 10902 and 49 CFR 1150.41**

NOTICE OF ACQUISITION AND OPERATION OF RAIL LINE

Arizona Eastern Railway, Inc., an existing class III short line railroad common carrier, has filed a Verified Notice of Exemption under 49 CFR 1150.41 to purchase and operate a line of railroad known as the Clifton Subdivision currently owned by the Union Pacific Railroad Company. The subject rail property consists of approximately 67.7 miles of railroad extending between milepost 1150.00 at Lordsburg, NM, and milepost 1217.70 at Clifton, AZ.

AZER plans to consummate this transaction on or after February 1, 2008, more than thirty days after the filing of this exemption.

This notice is filed under 49 C.F.R. 1150.41. 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.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35109, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Branch, 395 E Street, S.W., Washington, D.C. 20423. In addition, a copy of each pleading must be served on:

John D. Heffner, Esq.
John D. Heffner, PLLC
1750 K Street, N.W.
Suite 350
Washington, D.C. 20006
Telephone: (202) 296-3334

And

Mack H. Shumate, Esq.
Union Pacific Railroad Company
101 N. Wacker Drive
Room 1920
Chicago, IL 60606
Telephone: (312) 777-2055

(seal)

Vernon A. Williams
Secretary