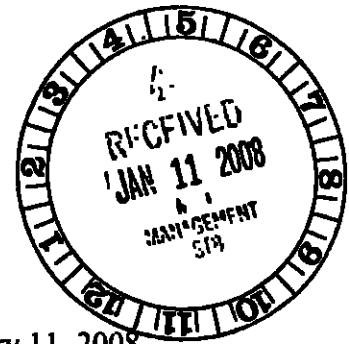


LAW OFFICE
JOHN D. HEFFNER, PLLC
1750 K STREET, N.W.
SUITE 350
WASHINGTON, D.C. 20006
PH: (202) 296-3333
FAX: (202) 296-3939

ORIGINAL



January 11, 2008

BY HAND DELIVERY

Hon. Anne H. Quinlan
Secretary
Surface Transportation Board
395 E Street, S W.
Washington, D.C. 20423

ENTERED
Office of Proceedings
JAN 14 2008
Part of
Public Record

**RE: STB Finance Docket No. 35115, Arizona Eastern Railroad Company -
Trackage Rights – Union Pacific Railroad Company**

Dear Ms. Quinlan:

On behalf of Petitioner Arizona Eastern Railroad Company ("AZER") I am filing under the above-captioned docket number an original and ten copies of:

1. A Motion for A Protective Order Pursuant to 49 CFR 1104.14(b);
2. A public version of a Verified Notice of Exemption under 49 CFR 1180.2(d)(7) for nonexclusive overhead trackage rights upon a line of the Union Pacific Railroad Company; and
3. A confidential version of the same Verified Notice of Exemption under 49 CFR 1180.2(d)(7) for nonexclusive overhead trackage rights upon a line of the Union Pacific Railroad Company

In addition, I am enclosing ten (10) extra color copies of a map indicating the trackage rights which are the subject of this exemption, a copy of that map on a CD, a computer disk formatted in Word containing this filing, and a check payable to the Board for \$1,000 to cover the applicable filing fee.

Please date stamp and return one copy of this filing.

Sincerely yours,



John D. Heffner

Enclosures

cc: Mack H. Shumate, Jr , Esq.
Edwin Ellis

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35115

221250

ARIZONA EASTERN RAILWAY INC.
-- TRACKAGE RIGHTS --
UNION PACIFIC RAILROAD COMPANY

ENTERED
Office of Proceedings
JAN 14 2008
Part of
Public Record

FILED
JAN 11 2008
SURFACE
TRANSPORTATION BOARD

VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 CFR 1180.2(d)(7)

Union Pacific Railroad Company ("UP") has agreed to grant Arizona Eastern Railway, Inc. ("AZER") non-exclusive overhead trackage rights upon the UP Lordsburg Subdivision between Milepost 1150.00 in Lordsburg, NY and Milepost 1098.12 in Bowie, AZ, a distance of 52.12 miles. These trackage rights shall allow AZER to move traffic originating or terminating on its Bowie-Miami Line and traffic originating or terminating on its soon to be acquired Clifton Subdivision.

These trackage rights will be effective on or after February 11, 2003.

As a condition to this exemption, any employees affected by the trackage rights will be protected by the conditions imposed in Norfolk and Western Ry. Co.-Trackage

SURFACE
TRANSPORTATION BOARD

JAN 11 2008

FILE RECEIVED

Rights-BN, 354 I.C.C. 605 (1978), as modified in Mendocino Coast Ry., Inc.-Lease and Operate, 360 I.C.C. 653 (1980).

This notice is filed under 49 CFR 1180.2(d)(7). 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 stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35115, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423. In addition, a copy of each pleading must be served on Mack H. Shumate, Jr., Esq., Union Pacific Railroad Company, 101 N. Wacker Drive, Suite 1920, Chicago, IL 60606, and John D. Heffner, John D. Heffner, PLLC, 1750 K Street, N.W., Suite 350, Washington, DC 20006.

Dated: _____, 2008

By the Board

Anne K. Quinlan, Secretary

(Seal)

PUBLIC VERSION

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC 20423**

STB Finance Docket No. 35115

**ARIZONA EASTERN RAILROAD COMPANY
-- TRACKAGE RIGHTS --
UNION PACIFIC RAILROAD COMPANY**

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 CFR 1180.2(d)(7)**

Respectfully submitted,

Arizona Eastern Railroad
Company

By its attorney,

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

Date: January 11, 2008

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC 20423

STB Finance Docket No. 35115

ARIZONA EASTERN RAILROAD COMPANY
-- TRACKAGE RIGHTS --
UNION PACIFIC RAILROAD COMPANY

VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 CFR 1180.2(d)(7)

Pursuant to 49 CFR 1180.2(d)(7), the Arizona Eastern Railroad Company ("AZER") submits this Verified Notice of Exemption for trackage rights and provides the following information:

49 CFR 1180.6(a)(1)(i): A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of the counsel to whom questions regarding the transaction can be addressed.

Summary

AZER seeks Board authority to acquire nonexclusive overhead trackage rights on the UP Lordsburg Subdivision between Milepost 1150.00 in Lordsburg, NM and Milepost 1098.12 in Bowie, AZ, a distance of 52.12 miles. These

trackage rights shall provide AZER with a direct link between its Bowie-Miami Line and its about to be acquired Clifton Subdivision.

Applicants' names, addresses, and telephone numbers:

Arizona Eastern Railroad Company
118 S. Clinton St., Suite 400
P.O. Box 618181
Chicago, IL 60661-5773
312-466-0900

Union Pacific Railroad Company
1400 Douglas St. - MS1180
Omaha, NE 68179
402-544-5000

Applicant's counsel to receive correspondence:

For Arizona Eastern Railroad Company

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

For Union Pacific Railroad Company

Mack H. Shumate, Jr., Esq.
Union Pacific Railroad Company
101 N. Wacker Drive, Suite 1920
Chicago, IL 60606
312-777-2055

49 CFR 1180.6(a)(1)(ii): The proposed time schedule for consummation of the proposed transaction.

AZER proposes to consummate the proposed transaction on or about February 11, 2008, at least thirty days after the filing of this notice.

49 CFR 1180.6(a) (1) (iii): The purpose sought to be accomplished by the proposed transaction.

The purpose of the proposed transaction is to improve service by establishing a rail link allowing AZER to move traffic originating or terminating on its Bowie-Miami Line and traffic originating or terminating on its soon to be acquired Clifton Subdivision.

49 CFR 1180.6(a) (5): A list of the State(s) in which any part of the property of each applicant carrier is situated.

AZER presently operates within the State of Arizona. This transaction would extend AZER's operations into the State of New Mexico. UP operates rail lines in the States of Arizona, Arkansas, California, Colorado, Idaho, Illinois, Iowa, Kansas, Louisiana, Minnesota, Missouri, Nebraska, New Mexico, Nevada, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, Wisconsin, and Wyoming.

49 CFR 1180.6(a) (6): Map (Exhibit 1). Submit a general or key map indicating clearly, in separate colors or otherwise, the line(s) of applicant carriers in their true relations to each other, short line connections, other rail lines in the territory, and the principal geographic points in the region traversed.

A map satisfying this provision is attached hereto as Exhibit 1.

49 CFR 1180.6(a)(7)(ii): Agreement (Exhibit 2).

Submit a copy of any contract or other written instrument entered into, or proposed to be entered into, pertaining to the proposed transaction. In addition, parties to exempt trackage rights agreements and renewal of agreements described at §1180.2(d)(7) must submit one copy of the executed agreement or renewal agreement with the notice of exemption, or within 10 days of the date that the agreement is executed, whichever is later.

AZER is furnishing a copy of the trackage rights agreement, which is attached as Exhibit 2.

Labor Protection.

As mandated by law, AZER will provide labor protection as set forth in Norfolk and Western Ry. Co. - Trackage Rights - BN, 354 I.C.C. 605 (1978), *as modified in* Mendocino Coast Ry., Inc. - Lease and Operate, 360 I.C.C. 653 (1980).

Environmental and historic reporting requirements.

The proposed transaction is exempt from environmental review under 49 CFR 1105.6(c)(4), which provides that

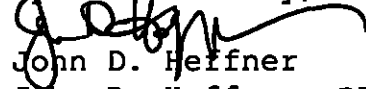
environmental documentation need not be prepared for trackage rights transactions or transactions that will not cause any operating changes that exceed the thresholds established in 1105.7(e)(4) or (5).

In addition, this transaction is exempt from historic review under 49 CFR 1105.8(b)(3) because it will not substantially change the level of maintenance of railroad property.

Respectfully submitted

Arizona Eastern Railroad
Company

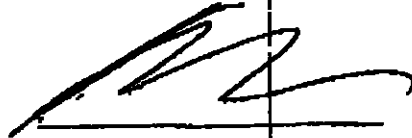
By its attorney,


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

Dated: January 11, 2008

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: 1/10/08.

A handwritten signature in black ink, consisting of a stylized 'D' followed by a horizontal line and a flourish.

[signature]

EXHIBIT 1

MAP

NEW MEXICO

ARIZONA

CLIFTON

M.P. 125.00

BOWIE
M.P. 109.00

M.P. 115.00

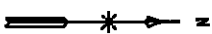
LONDSBURG

WILCOX

HOUSE

CHENSON

CASA



LEGEND

UPRR TRACK

PROPOSED LINE SALE
OF CLIFTON SUBDIVISION

PROPOSED TRACKAGE RIGHTS FOR AZER

CURRENT AZER SHORT LINE BETWEEN
BOWIE, AZ AND MIAMI, AZ



EXHIBIT "I-1"

NOVEMBER 28, 2007

UNION PACIFIC RAILROAD

and

AZER