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BALL JANIK LLP

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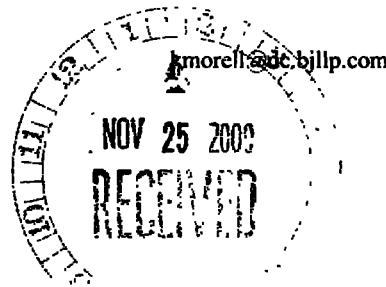
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TELEPHONE 202-638-3307
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KARL MORELL

November 25, 2009



BY HAND DELIVERY

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423-0001

FEE RECEIVED

NOV 25 2009

**SURFACE
TRANSPORTATION BOARD**

Re: STB Finance Docket No. 35327, Blacklands Railroad, Inc. – Lease
and Operation Exemption – Rusk County Rural Rail District

Dear Ms. Brown:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. § 1150.41 and a check covering the \$1,800 filing fee. Also enclosed is a Disc containing the Notice and Summary.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions, please contact me.

Sincerely yours,

Karl Morell

FILED

NOV 25 2009

Enclosures **SURFACE
TRANSPORTATION BOARD**

ENTERED
Office of Proceedings

NOV 25 2009

Part
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35327

BLACKLANDS RAILROAD, INC.
-- LEASE AND OPERATION EXEMPTION --
RUSK COUNTY RURAL RAIL DISTRICT

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.41, Et Seq.

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Part of
Public Record

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorneys for:
BLACKLANDS RAILROAD, INC.

Dated: November 25, 2009

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35327

BLACKLANDS RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
RUSK COUNTY RURAL RAIL DISTRICT

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.41, Et Seq.

Blacklands Railroad, Inc. ("BLR"), a Class III rail carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150. Subpart E--Exempt Transactions Under 49 U.S.C. 10902, to permit BLR to lease a rail line from the Rusk County Rural Rail District ("RCRRD").

In support of this Notice of Exemption, BLR submits the following information as required by 49 C.F.R. § 1150.43:

(a) Full name and address of applicant:

Blacklands Railroad, Inc.
641 Church Street
Sulphur Springs, TX 75482

(b) Applicant's Representative:

Karl Morell
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

(c) **Statement of Agreement:**

BLR will in the near future enter into an agreement with RCRRD for the lease and operation of the rail line.

(d) **The operator of the property:**

BLR will be the operator of the line.

(e) **Summary of proposed transaction:**

(1) **The name and address of the railroad¹ leasing the subject property is:**

Rusk County Rural Rail District
400 West Main
Henderson, TX 75652

(2) **BLR's lease of the rail line is expected to be consummated on or shortly after the effective date of this Notice.**

(3) **The rail line BLR seeks to lease is located between Milepost 0.59, near Overton, TX and Milepost 16.28, at Henderson, TX (the "Line").**

(4) **The length of the rail line being leased is 15.69 miles.**

(f) **A map of the rail line being leased is attached as Exhibit 1.**

(g) **BLR hereby certifies that BLR's projected revenues as a result of this transaction will not result in BLR becoming a Class II or Class I rail carrier.**

BLR further certifies that the projected annual revenue of BLR will not exceed \$5 million as a result of this transaction. Accordingly, the requirements of 49 C.F.R. § 1150.42(e) do not apply to this transaction.

¹ RCRRD is acquiring the rail line being leased by BLR from Union Pacific Railroad Company ("UP"). See STB Finance Docket No. 35330, *Rusk County Rural Rail District – Acquisition Exemption – Union Pacific Railroad Company*. Upon consummation of the acquisition transaction with UP, RCRRD will become a rail carrier.

- (h) The Lease Agreement between BLR and RCRRD will not contain a provision prohibiting BLR from interchanging traffic with a third party.

A caption summary, as required by 49 C.F.R. § 1150.44, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

BLR is leasing the Line for continued rail operations. Further Board approval is required for BLR to discontinue any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

The lease of the Line by BLR will not result in any changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. BLR's lease of the rail line will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karl Morell", written over a horizontal line.

KARL MORELL

Of Counsel

BALL JANIK LLP

Suite 225

1455 F Street, N.W.

Washington, DC 20005

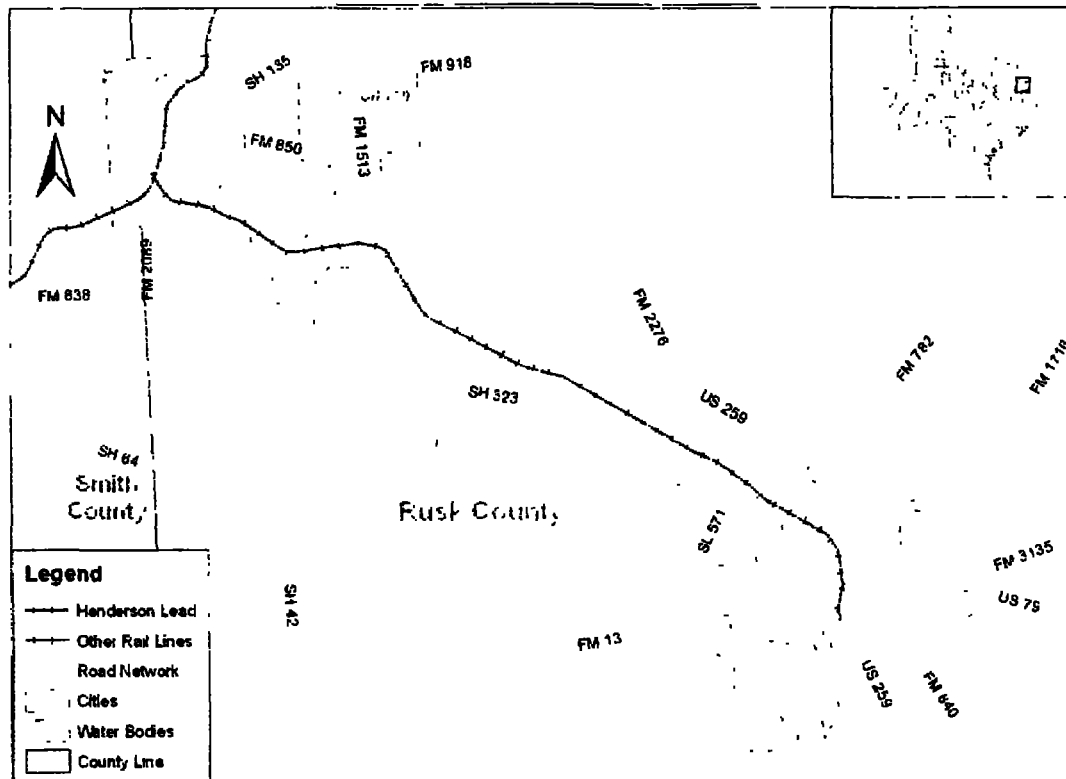
(202) 638-3307

Attorneys for:

BLACKLANDS RAILROAD, INC.

Dated: November 25, 2009

EXHIBIT 1



SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

STB FINANCE DOCKET NO. 35327

BLACKLANDS RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
RUSK COUNTY RURAL RAIL DISTRICT

Blacklands Railroad, Inc., a Class III rail carrier, has filed a notice of exemption to lease from Rusk County Rural Rail District the rail line located between Milepost 0.59, near Overton, TX, and Milepost 16.28, at Henderson, TX.

This transaction is related to STB Finance Docket No. 35330, *Rusk County Rural Rail District – Acquisition Transaction – Union Pacific Railroad Company*, pursuant to which Rusk County Rural Rail District seeks to acquire the line from Union Pacific Railroad Company.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005, (202) 638-3307.

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*. The filing of a petition to revoke will not automatically stay the transaction.

VERIFICATION

STATE OF TEXAS

)

)

ss.

COUNTY OF HOPKINS

)

I, Wayne Defebaugh, being duly sworn depose and state that I am President of the Blacklands Railroad, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Wayne Defebaugh

SUBSCRIBED AND SWORN TO before me this 24th day of November, 2009, in the County of Hopkins, State of Texas.

My Commission Expires: 07/23/2013


Notary Public