

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35667

233032

ARKANSAS-OKLAHOMA RAILROAD CO.
- LEASE AND OPERATION EXEMPTION -
LINES OF UNION PACIFIC RAILROAD COMPANY
IN PITTSBURG COUNTY, OKLAHOMA

ENTERED
Office of Proceedings
September 25, 2012
Part of
Public Record

VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 CFR 1150.41

NOTICE OF OPERATION OF RAIL LINES
INFORMATION REQUIRED BY 49 CFR 1150.43

Daniel A. LaKemper, Esq.
General Counsel
Arkansas-Oklahoma Railroad Co.
P.O. Box 185
Morotn, Illinois 61550
Tel.: (309) 678-6048

Dated: September 24, 2012

FEE RECEIVED
September 25, 2012
SURFACE
TRANSPORTATION BOARD

- 1 -

FILED
September 25, 2012
SURFACE
TRANSPORTATION BOARD

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ARKANSAS-OKLAHOMA RAILROAD CO.
--LEASE AND OPERATION EXEMPTION--
LINES OF UNION PACIFIC RAILROAD COMPANY
IN PITTSBURG COUNTY, OKLAHOMA

VERIFIED NOTICE OF EXEMPTION

Pursuant to 49 C.F.R. §1150.41, et. seq., Arkansas-Oklahoma Railroad, Inc. ("AOK"), a Class III Carrier, hereby files this Verified Notice of Exemption to continue to lease and operate Union Pacific Railroad's rail lines (i) between Milepost 364/96 and 370.5, in/near McAlester, Oklahoma, a distance of approximately 5.54 miles in Pittsburg County, Oklahoma, and (ii) the Krebs Industrial Lead, from the clearance point of the mainline switch at Milepost 564.5, in McAlester, Oklahoma, to the end of track, in Krebs, Oklahoma, both as shown on Exhibit A, attached hereto (the "Lines"). Based on projected revenues for the Lines, AOK expects to be remain a Class III rail carrier after consummation of the transaction proposed herein.

In accordance with the requirements of 49 C.F.R. §1150.43, AOK submits the following information:

Name and Address of Applicant: 49 C.F.R. §1150.43(a)

The full name and address of the applicant herein is as follows:

Arkansas-Oklahoma Railroad, Inc.
103 S. Central
Wilburton, OK 74578

Applicant's Representative: 49 C.F.R. §1150.43(b)

The name, address and telephone number of the representative of the applicant who should receive correspondence is as follows:

Daniel A. LaKemper, General Counsel
Arkansas-Oklahoma Railroad, Inc.
P.O. Box 185
Morton, Illinois 61550

Statement Concerning Agreement: 49 C.F.R. §1150.43(c)

AOK has reached a new lease agreement with Union Pacific Railroad Company ("UP"), providing for AOK to continue to lease and operate the Lines.

Operation of the Property: 49 C.F.R. §1149.43(d)

AOK will operate, maintain and provide all rail common carrier services on the Line, pursuant to the Lease Agreement with UP.

Brief Summary of the Transaction: 49 C.F.R. §1150.43(e):

Pursuant to the Lease with UP, AOK proposes to continue to lease, operate, maintain, and perform all common carrier service on the Lines. AOK's lease contains no direct restrictions on interchange, but the lease fee is based upon the percentage of traffic AOK interchanges with UP. This arrangement is unchanged from the original lease agreement covering the Lines.

AOK currently operates the Lines (See FD 33440, served August 15, 1997), having leased

the Lines pursuant to an earlier (“original”) lease agreement with UP that has expired. AOK and UP have reached agreement on a new Lease Agreement covering the Lines, under essentially the same terms and conditions as the original lease agreement. AOK also has trackage rights (from Milepost 566.6, north to Milepost 563.0), over the UP tracks that connect the two leased line segments (**See Finance Docket No. FD-32873, Served March 4, 1996**). Those trackage rights were not affected by the expiration of the original lease agreement covering the Lines, or the new lease agreement recently entered into.

AOK will continue to operate the Lines as part of its existing rail line between McAlester and Howe, Oklahoma.

Other Information.

- (1) The name and address of the railroad transferring the subject property to the Class III rail carrier applicant:

Union Pacific Railroad Company
1400 Douglas Street
Omaha, Nebraska 68179

- (2) The proposed time schedule for consummation of the transaction:

Consummation of this transaction will occur on or about October 25, 2012, or upon the effective date of this exemption, if later, and operations under this exemption will begin thereafter.

- (3) The mileposts of the subject property:

The Lines extend from Milepost 364.96, to Milepost 370.5, on the UP’s Shawnee Branch, at/near McAlester, Oklahoma, a distance of approximately 5.54 miles and from

Milepost 564.5 (on the UP's Cherokee Subdivision) to the end of the Krebs Industrial Lead, all in Pittsburg County, Oklahoma;

(4) The total route miles being leased:

The length of the mainline trackage of the Lines is approximately 5.54 miles.

Map: 49 C.F.R. §1150.43(f):

A map showing the Line and the surrounding trackage is attached as Exhibit A of this Notice.

Certificate of Compliance: 49 C.F.R. §1150.43(g):

A Certificate of Compliance with the provisions of 49 C.F.R. §1150.33(g) is attached as Exhibit B to this Notice.

Environmental and Historic Preservation Data: 49 C.F.R. §1105:

Under 49 C.F.R. §1105(c)(2), GASR's proposed lease and operation of the Line is exempt from environmental reporting requirements. The proposed transaction will not result in significant changes in carrier operations, *i.e.*, changes that exceed the thresholds established in 49 C.F.R. §1105.7(e)(4) or (5).

Under 49 C.F.R. §1105.8(b)(1), AOK's lease and operation of the Line is also exempt from historic preservation reporting requirements. The proposed lease is for the purpose of continued rail operations. Further Surface Transportation Board approval is required to discontinue or abandon service, and there are no plans to dispose of or alter properties subject to Board jurisdiction that are fifty years old or older.

Caption Summary: 49 C.F.R. §1150.44:

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

Pursuant to 49 USC §10902(d), no labor protection is required by the action described in this Notice. The Applicant certifies that the projected annual revenue on the Line is less than \$5 Million.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel A. LaKemper".

Daniel A. LaKemper, Esq.
Counsel for
Arkansas-Oklahoma Railroad Inc.
P.O. Box 185
Morton, Illinois 61550
Tel.: (309) 678-6048

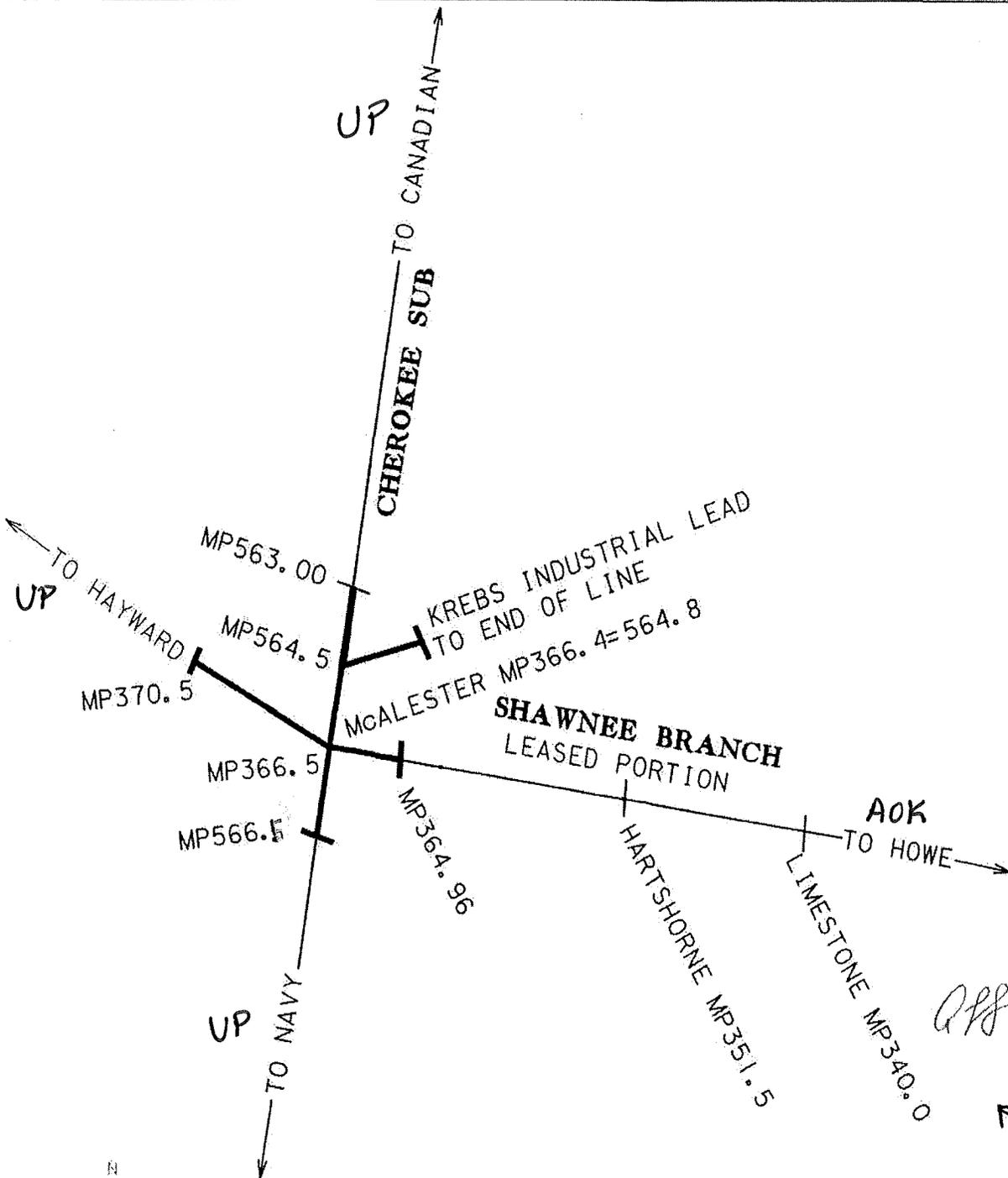


EXHIBIT "A"

**UNION PACIFIC RAILROAD COMPANY
- LEGEND -**

UNION PACIFIC TRackage TO BE USED TO SERVE SPECIFIC INDUSTRIES AT McALESTER, OKLAHOMA . ON SHAWNEE BRANCH MP364.96 TO MP370.5 ALSO ON THE CHEROKEE SUB FROM MP564.50 TO END OF LINE ON KREBS INDUSTRIAL LEAD. A DISTANCE OF 7.04 MILES.

MAY 08, 1997

NO SCALE

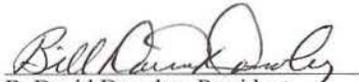
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STATE OF OKLAHOMA)
) ss
COUNTY OF LATIMER)

VERIFICATION AND
CERTIFICATE OF COMPLIANCE

B. David Donoley, being first duly sworn, deposes and states that:

I am the President and CEO of applicant Arkansas-Oklahoma Railroad, Inc.
I have read the foregoing Notice of Exemption; that am familiar with the facts stated therein and that the contents thereof are true and correct to the best of my knowledge and belief.
I hereby certify that the applicant's projected revenues as a result of the transaction will not exceed \$5 million, or result in the creation of a Class II or Class I rail carrier, so as to require processing under §1150.45.


B. David Donoley, President

Subscribed and sworn to
Before me this 31st day of July, 2012


Notary Public

My Commission Expires:
2-10-2013

SURFACE TRANSPORTATION BOARD

Notice of Exemption

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ARKANSAS-OKLAHOMA RAILROAD INC.
-LEASE AND OPERATION EXEMPTION-
LINES OF UNION PACIFIC RAILROAD COMPANY
IN PITTSBURG COUNTY, OKLAHOMA

VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 CFR 1150.41

Arkansas-Oklahoma Railroad, Inc. (“AOK”) has filed a notice of exemption, pursuant to 49 CFR 1150.41, et. seq., Exempt Transactions, with the Surface Transportation Board, to continue to lease and operate the rail lines owned by Union Pacific Railroad Company between Milepost 364.96, and Milepost 370.5, in/near McAlester, Oklahoma, and the Krebs Industrial Lead, from Milepost 564.5 to the end of track, all in Pittsburg County, Oklahoma, a distance of approximately 5.54 mainline miles.

AOK certifies that its projected annual revenues as a result of this transaction would not exceed those that would qualify it as a Class III rail carrier and further certifies that its projected annual revenues on this Line will not exceed \$5 million.

If the verified notice contains false or misleading information, the exemption is void *ab initio*. Petitions to revoke the exemption under 40 U.S.C. §10502(d) may be filed at any time. The

filing of a petition to revoke will not automatically stay the effectiveness of this exemption. Petitions to stay must be filed no later than October ____, 2012 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to FD 35667 must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington D.C. 20423-0001. In addition, one copy of each pleading must be served on Daniel A. LaKemper, Esq., P.O. Box 185, Morton, Illinois 61550, Telephone (309) 678-6048, counsel for AOK.

Board decisions and notices are available on our website at WWW.STB.DOT.GOV.

Decided:

By the Board,
Rachel D. Campbell, Director, Office of Proceedings.