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SERVICE DATE – DECEMBER 18, 2007

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 35109]

Arizona Eastern Railway, Inc.–Acquisition and Operation Exemption–Union Pacific
Railroad Company

Arizona Eastern Railway, Inc. (AZER), a Class III rail carrier, has filed a verified notice of exemption under 49 CFR 1150.41 to acquire from Union Pacific Railroad Company (UP) and operate a 67.7-mile line of railroad known as the Clifton Subdivision, extending between milepost 1150.00 at Lordsburg, NM, and milepost 1217.70 at Clifton, AZ.¹

The transaction is expected to be consummated on or after February 1, 2008.

AZER certifies that its projected annual revenues as a result of the transaction will not result in AZER becoming a Class II or Class I rail carrier. However, because its projected annual revenues will exceed \$5 million, AZER also has certified to the Board on December 3, 2007, that it has complied with the employee notice requirements of 49 CFR 1150.42(e). Pursuant to that provision, the exemption may not become effective until 60 days from the date of certification to the Board, which would be February 1, 2008.

¹ Iowa Pacific Holdings LLC owns AZER through its wholly owned subsidiary Permian Basin Railways, Inc.

If the verified 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 effectiveness of the exemption. Stay petitions must be filed by January 25, 2008 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35109, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on John D. Heffner, John D. Heffner, PLLC, 1750 K Street, N.W., Suite 350, Washington, DC 20006.

Board decisions and notices are available on our website at [“WWW.STB.DOT.GOV.”](http://WWW.STB.DOT.GOV)

Decided: December 10, 2007.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary