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DEPARTMENT OF  
TRANSPORTATION

July 27, 2012

Karl Morell  
Of Counsel

kmorell@balljanik.com

BY HAND DELIVERY

232618

Cynthia Brown  
Chief, Section of Administration  
Surface Transportation Board  
Office of Proceedings  
395 E Street, SW  
Washington, DC 20423

**FILED**  
JUL 27 2012  
SURFACE  
TRANSPORTATION BOARD

Re: STB Finance Docket No. 35636, Pecos Valley Permian  
Railroad, L.L.C. d/b/a Pecos Valley Southern Railway  
Company -- Lease Exemption -- Pecos Valley Southern  
Railway Company

Dear Ms. Brown:

Attached for filing are the original and ten copies of a Verified  
Notice of Exemption under 49 C.F.R. § 1150.31 and a check  
covering the \$1,800 filing fee. Also enclosed is a CD containing the  
Notice and Summary.

If you have any questions, please contact me.

Sincerely,

Karl Morell  
Of Counsel

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Enclosures

232618

BEFORE THE  
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35636

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PECOS VALLEY PERMIAN RAILROAD, L.L.C.  
d/b/a PECOS VALLEY SOUTHERN RAILWAY COMPANY  
-- LEASE EXEMPTION --  
PECOS VALLEY SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1150.31. Et Seq.

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

Attorney for:  
PECOS VALLEY PERMIAN  
RAILROAD, L.L.C. d/b/a PECOS  
VALLEY SOUTHERN RAILWAY  
COMPANY

Dated: July 27, 2012

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO. 35636

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PECOS VALLEY PERMIAN RAILROAD, L.L.C.  
d/b/a PECOS VALLEY SOUTHERN RAILWAY COMPANY  
-- LEASE EXEMPTION --  
PECOS VALLEY SOUTHERN RAILWAY COMPANY

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

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Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company ("PVS"), a Texas limited liability company and a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit PVS to lease and operate as a common carrier by railroad over the 24-mile rail line owned by Pecos Valley Southern Railway Company, a Texas Railroad Corporation.

In support of this Notice of Exemption, PVS submits the following information as required by 49 C.F.R. § 1150.33:

(a) Full name and address of applicant:

Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway  
Company  
315 W. 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762

(b) Applicant's Representative:

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

(c) Statement of Agreement:

PVS and Pecos Valley Southern Railway Company will enter into a lease agreement in the very near future.<sup>1</sup>

(d) The operator of the property:

PVS will be the operator of the 24-mile rail line.

(e) Summary of proposed transaction:

PVS is a new, non-carrier limited liability company indirectly controlled by Watco Holdings, Inc. ("Watco"). In this proposed transaction, PVS will lease approximately 24 miles of rail lines owned and currently operated by Pecos Valley Southern Railway Company located between Pecos, TX and a point north of Saragosa, TX.

(1) The name and address of the owner of the subject property:

Pecos Valley Southern Railway Company  
2501 W. 3<sup>rd</sup> Street  
Pecos, Texas 79772

(2) The involved transaction is expected to be consummated on or some time after the effective date of this Notice.

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<sup>1</sup> PVS will do business as Pecos Valley Southern Railway Company at the request of the owner of the line.

(3) PVS is seeking authority to lease and operate, as a common carrier by railroad, over a rail line located between Milepost 0.0, at Pecos, TX, and Milepost 24.0, north of Saragosa, TX.

(4) The length of the rail line is approximately 24 miles.

(f) A map of the rail line is attached as Exhibit A.

(g) PVS hereby certifies that this transaction will not result in PVS becoming a Class II or Class I rail carrier. The projected annual revenue of PVS will not exceed \$5 million. Consequently, the notice requirements of 49 C.F.R. § 1150.32(e) do not apply.

(h) The Agreement between PVS and the Pecos Valley Southern Railway Company will not contain any provision that prohibits PVS from interchanging traffic with a third party or limits PVS's ability to interchange with a third party.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

### **ENVIRONMENTAL AND HISTORIC IMPACTS**

PVS is leasing the rail line for continued rail operations. Further Board approval is required for PVS 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).

PVS's operations of the rail lines will not result in significant 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 these lines to motor carriage. This transaction will not result in: (1) an increase of at least eight trains a day on any segment of the lines; (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. PVS's operation 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,



KARL MORELL  
Of Counsel  
BALL JANIK LLP  
Suite 225  
655 Fifteenth Street, N.W.  
Washington, DC 20005  
(202) 638-3307

Attorney for:  
PECOS VALLEY PERMIAN RAILROAD, L.L.C.  
d/b/a PECOS VALLEY SOUTHERN RAILWAY  
COMPANY

Dated: July 27, 2012

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

STB FINANCE DOCKET NO. 35636

PECOS VALLEY PERMIAN RAILROAD, L.L.C. d/b/a PECOS VALLEY SOUTHERN  
RAILWAY COMPANY  
-- LEASE EXEMPTION --  
PECOS VALLEY SOUTHERN RAILWAY COMPANY

Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company ("PVS"), a non-carrier, has filed a notice of exemption to lease and operate the rail line owned by Pecos Valley Southern Railway Company and located between Milepost 0.0, at Pecos, Texas, and Milepost 24.0, north of Saragosa, Texas.

This transaction is related to STB Docket No. 35637, Watco Holdings, Inc. – Continuance In Control Exemption – Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company, wherein Watco Holdings, Inc., has concurrently filed a verified notice to continue in control of PVS upon PVS becoming a Class III carrier.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 655 Fifteenth Street, N.W., Washington, DC 20005, (202) 638-3307. This notice is filed under 49 C.F.R. 1150.31. 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.

VERIFICATION

STATE OF KANSAS

)

)

ss.

COUNTY OF CRAWFORD

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I, Arthur E. McKechnie, III, being duly sworn depose and state that I am Assistant Secretary of Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company, 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.

*AE McKechnie III*

Arthur E. McKechnie, III

SUBSCRIBED AND SWORN TO before me this 20<sup>th</sup> day of July, 2012, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/2012

*Lori Magee*  
Notary Public

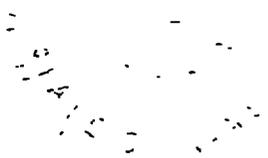
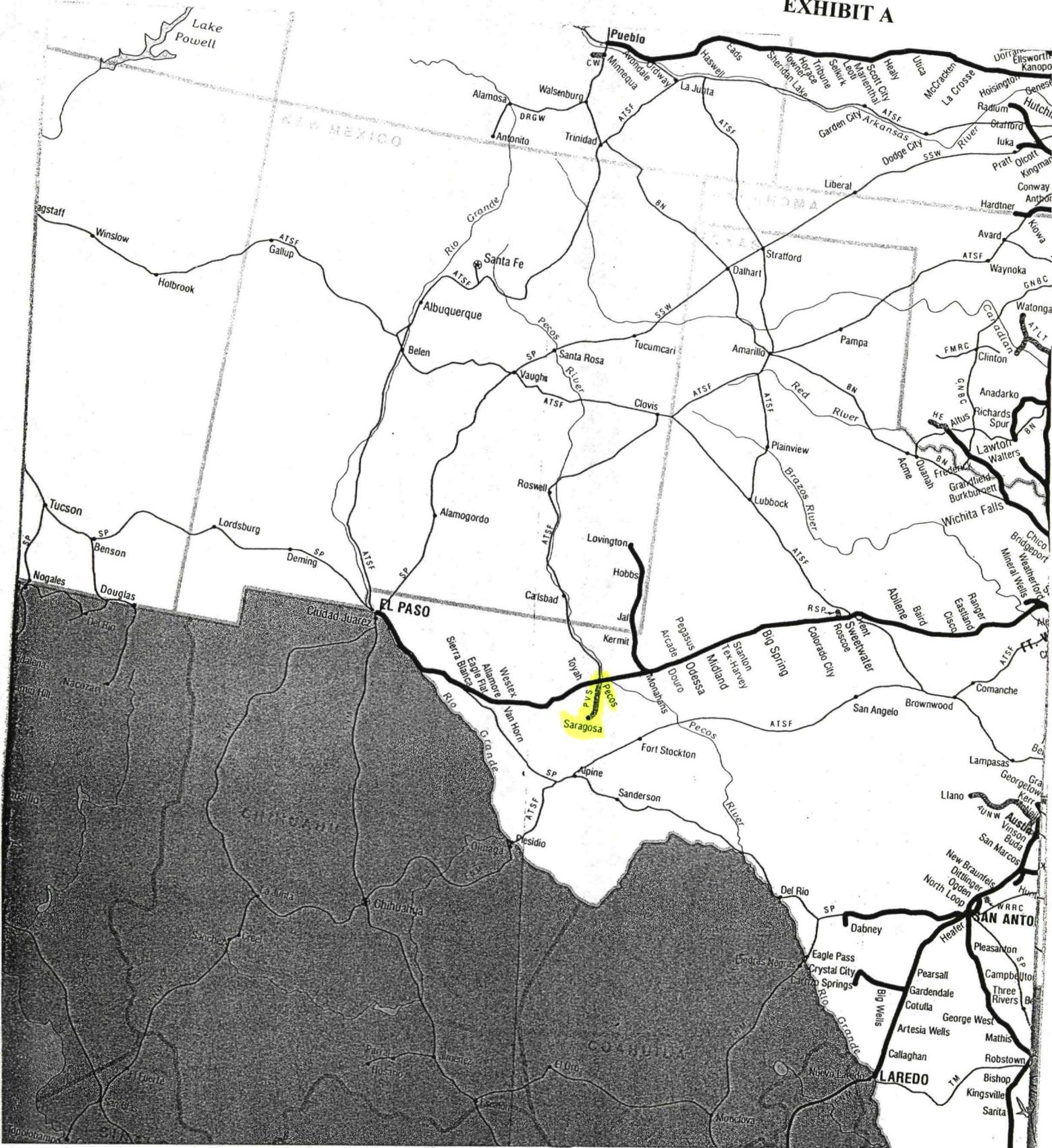


EXHIBIT A



PECOS VALLEY PERMIAN RAILROAD, L.L.C.  
d/b/a PECOS VALLEY SOUTHERN RAILWAY COMPANY