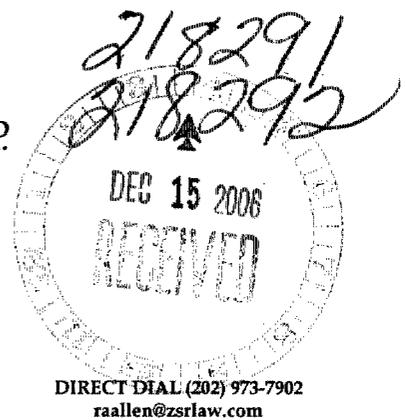


ZUCKERT SCOUTT & RASENBERGER, L.L.P.

ATTORNEYS AT LAW

888 Seventeenth Street, NW, Washington, DC 20006-3309
Telephone (202) 298-8660 Fax (202) 342-0683
www.zsrlaw.com



RICHARD A. ALLEN

December 15, 2006

BY HAND

Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

FILED
DEC 15 2006
**SURFACE
TRANSPORTATION BOARD**

**Re: Proposed Abandonment and Discontinuance of the Kerrville
Subdivision From MP 253.26 to MP 256.0 near Beckmann in Bexar
County, Texas; STB Docket No. AB-33 (Sub-No.236X), Union Pacific
Railroad Company – Abandonment Exemption and STB Docket No. AB-
576 (Sub-No. 2X) – Discontinuance Exemption**

Dear Secretary Williams:

I enclose for filing in this proceeding an original and ten copies of a Petition for Exemption to authorize Union Pacific Railroad Company to abandon and Amador Gulf Coast Railroad Company to discontinue service over the above referenced rail line together with a check for \$10,600.00 for the filing fees for the abandonment and discontinuance.

Attached to the petition are a draft Federal Register notice pursuant to 49 C.F.R.§1152.60(c) (as Exhibit 2) and a Certificate of Service and Publication pursuant to 49 C.F.R.§1152.60(d) and 49 C.F.R.§1105.12.

FEE RECEIVED

DEC 15 2006

**SURFACE
TRANSPORTATION BOARD**

Sincerely,

Richard A. Allen

Enclosures

ENTERED
Office of Proceedings

DEC 15 2006

Part of
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD



Docket No. AB-33 (Sub-No. 236X)

UNION PACIFIC RAILROAD COMPANY
—ABANDONMENT EXEMPTION—

Docket No. AB-576 (Sub-No. 2X)

ALAMO GULF COAST RAILROAD COMPANY
—DISCONTINUANCE EXEMPTION—

IN BEXAR, COUNTY, TEXAS

FEE RECEIVED

DEC 15 2006

SURFACE
TRANSPORTATION BOARD

PETITION FOR EXEMPTION

FILED

DEC 15 2006

SURFACE
TRANSPORTATION BOARD

ENTERED
Office of Proceedings

DEC 15 2006

Part of
Public Record

Mack H. Shumate, Jr.
Senior General Attorney
Union Pacific Railroad Company
101 North Wacker Drive, Room 1920
Chicago, Illinois 60606
(312) 777-2055
(312) 777-2065 (Fax)

Attorney for Union Pacific Railroad Company

Richard A. Allen
ZUCKERT SCOUTT & RASENBERGER
888 Seventeenth Street NW
Suite 700
Washington DC 20006
(202) 298-8660

Attorney for Alamo Gulf Coast Railroad

Dated: December 15, 2006

THIS FILING CONTAINS A COLOR MAP

BEFORE THE
SURFACE TRANSPORTATION BOARD



Docket No. AB-33 (Sub-No. 236X)

UNION PACIFIC RAILROAD COMPANY
—ABANDONMENT EXEMPTION—

Docket No. AB-576 (Sub-No. 2X)

ALAMO GULF COAST RAILROAD COMPANY
—DISCONTINUANCE EXEMPTION—

IN BEXAR, COUNTY, TEXAS

PETITION FOR EXEMPTION

INTRODUCTION AND SUMMARY

Union Pacific Railroad Company (“UP”) and Alamo Gulf Coast Railroad Company (“AGCR”) (collectively, “Petitioners”) hereby petition the Surface Transportation Board (the “Board”), pursuant to 49 U.S.C. §10502, to grant exemptions from 49 U.S.C. §10903 in order to permit AGCR to discontinue operations over 2.74 miles of its line of railroad between MP 253.26 and MP 256.0 of UP’s Kerrville Subdivision (hereafter, “the Line”) in Bexar County, Texas, which AGCR leases from UP, and to permit UP to abandon the Line.

Exemption to discontinue service over and to abandon the Line is being sought to permit development of the property for other commercial and residential purposes. Relatively little traffic has moved over the Line in recent years. Petitioners, the developer and the only shippers served by the Line have reached agreements pursuant to

which the shippers have agreed not to object to the proposed discontinuance and abandonment of the Line.

PETITIONERS' BACKGROUND AND REPRESENTATIVES

UP has rail operations in the States of Arizona, Arkansas, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, Wisconsin and Wyoming. UP owns the Line and has leased it to AGCR. The name, address and telephone and fax numbers of UP's representative is:

Mack H. Shumate, Jr.
101 North Wacker Drive
Room 1920
Chicago, IL 60606
Tel: 312-777-2055
Fax: 312-777-2065.

AGCR has rail operations in Bexar County Texas, as described more fully below.

The name, address and telephone and fax numbers of AGCR's representative is:

Richard A. Allen
Zuckert, Scutt & Rasenberger, LLP
888 17th Street, N.W.
Washington D.C. 20006
Tel: 202-973-7902
Fax: 202-342-0683

STATEMENT OF FACTS

The Line is located entirely in Bexar County, Texas and traverses U.S. Postal Service Zip Codes 78028 and 78029. A map of the Line is attached as Exhibit 1. The southern two miles of the Line are laid with 136-pound rail, while the northern mile is laid with 90-pound rail. Much of the right-of-way is adjacent to new private commercial

development (the “Development”). The Developer, as hereinafter defined, desires to incorporate the right-of-way of the Line into the Development.

Based on information in Petitioners’ possession, the right-of-way does not contain any federally granted right-of-way. Any documentation in Petitioners’ possession will be made available promptly to those requesting it.

The Kerrville Subdivision, of which the Line is a part, was constructed in 1890 by UP’s predecessor, the San Antonio and Aransas Pass Railway.¹ The Kerrville Subdivision only runs northward from San Antonio, Texas through Beckmann, near MP 253, and it extended at one time to Kerrville, Texas. By the mid 1990’s the Kerrville Subdivision only extended to MP 259.49, near Camp Stanley.

Martin Marietta Materials, Inc. (“MMM”) owns and operates a stone quarry at Beckmann. By notice of exemption filed in Finance Docket No. 32855 on December 29, 1995, AGCR, a wholly-owned subsidiary of MMM, was authorized to acquire by lease from UP’s predecessor, the Southern Pacific Transportation Company (“SP”), and to provide common carrier rail service over the portion of the Kerrville Subdivision between MP 252 and 257. Subsequently, AGCR leased SP’s track from MP 252.55 to MP 257.0. AGCR also provides industrial track service within MMM’s quarry at Beckmann, which connects to the Kerrville Subdivision by a switch connection near MP 252.92.

No rail traffic had moved for several years prior to 2000 over the Kerrville Subdivision north of MP 256.0. Pursuant to the “out-of-service” exemption procedures of 49 C.F.R. 1152.50, on November 3, 2000, UP and AGCR filed a Notice of Exemption in Docket No. AB-33 (Sub-No. 162X) and Docket No. AB-576 (Sub-No. 1X)

¹ The facts stated herein are attested by the attached verifications of Ray E. Allamong and Steven Witkowski.

authorizing UP to abandon that portion of the Kerrville Subdivision from MP 256.0 to its terminus at MP259.49 and AGCR to discontinue service over that portion of the Kerrville Subdivision from MP 256.0 to 257.0.

Since November 2, 2000, the only shippers on the Line have been two lumber distributors, Builders Firstsource – Texas Group, LP. and Foxworth-Galbraith Lumber Company (collectively, the “Shippers”). The facilities of both Shippers are near MP 256.0, and both shippers have received rail service from AGCR via the Line and a shared Shipper-owned industrial spur. Rail traffic to the Shippers in recent years has been light and has consisted solely of inbound carloads of lumber. In 2004, AGCR delivered 117 carloads to the Shippers, and in 2005, it delivered 106 carloads to the Shippers, or an average of about two carloads per week. UP transported these cars to Beckmann, where they were interchanged with AGCR, which delivered them to the Shippers and returned the empties to UP. The Shippers have used trucks for all outbound shipments.

There has been no overhead traffic on the Line for the past two years.

In recent years, Fourth Quarter Properties (“Developer”), a real estate development company, has pursued plans to develop a major shopping and entertainment center in the area of the Line. In furtherance of those plans, Developer has made agreements with UP, the Shippers and MMM by which Developer has purchased property from UP, the Shippers and MMM, including the real estate underlying the Line. UP has retained for itself and AGCR an exclusive railroad easement over the right-of-way of the Line, and UP has retained ownership of the track structure on the Line. The Shippers have secured satisfactory transportation alternatives for their business, and they

have agreed not to oppose the abandonment and discontinuance. Accordingly, the proposed abandonment and discontinuance will have no adverse effect on the Shippers.

The Line is adjacent to the Development. The Developer desires to utilize the right-of-way of the Line for the Development. It does not appear that the right-of-way of the Line would be suitable for public purposes, including trail use.

REASONS FOR THE REQUESTED EXEMPTION

Petitioners request exemption of their proposed discontinuance and abandonment from regulation under 49 U.S.C. §10903 in accordance with 49 U.S.C. §10502 and the rules applicable thereto at 40 C.F.R. §1121 and 59 C.F. R. §1152 and the Special Rules at 49 C.F.R. §1152.60.

Petitioners submit that exemption of the proposed discontinuance and abandonment is clearly warranted. The only two customers that have use rail service on the Line have adopted alternative transportation services for the needs of their respective lumber distribution businesses and support the discontinuance of rail operations and abandonment of the Line and the Developer's use of the Line for the Development.

While there is no reasonable alternative to abandonment and discontinuance of the Line that would meet the needs of the Developer to use the right-of-way for the Development, the agreement reached with the Shippers ensures that the subject discontinuance and abandonment will not adversely affect them.

Under 49 U.S.C. § 10502, the Board must exempt a transaction from regulation when it finds that:

- (1) regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101; and

(2) either:

- (a) the transaction is of limited scope; or
- (b) regulation is not necessary to protect shippers from the abuse of market power.

Those conditions are plainly met in this matter. Detailed scrutiny of the subject transactions, discontinuance and abandonment of the Line, is not necessary to carry out the rail transportation policy. On the contrary, as the Board has found in many abandonment exemption cases, exemption would further that policy by minimizing the unnecessary expenses of filing formal applications for discontinuance and abandonment and would therefore reduce regulatory barriers to exit. *See* 49 U.S.C. § 10101(2) and (7). Other aspects of the rail transportation policy will not be affected adversely by the exemptions request in this matter.

The proposed transactions are also of limited scope, and regulation of the transactions is not needed to protect shippers from the abuse of market power. The Line at issue is only 2.74 miles in length. It has had little traffic and served only two shippers in recent years, both of whom have agreed to the discontinuance and abandonment.

As shown in the attached Certificate and Publication, a copy of this Petition for Exemption is being served on the attorney for the Shippers, William A. Mullins, Esq.

FEDERAL REGISTER NOTICE

A draft Federal Register Notice is attached to this petition as Exhibit 2.

NEWSPAPER NOTICE

On December 13, 2006, Petitioners published in the San Antonio Express News, a newspaper of general circulation in Bexar County, a newspaper notice pursuant to 49 C.F.R. §1105.12. A Certificate of Service and Publication is attached.

LABOR PROTECTION

Petitioners are agreeable to the labor protection conditions imposed in abandonment proceedings set forth in *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979).

ENVIRONMENTAL AND HISTORIC REPORT

A combined Environmental Report and Historic Report containing the information required by 49 C.F.R. §§ 1105.07 and 1105.08 were submitted to the Board's Section of Environmental Analysis and served on all relevant federal, state and local agencies on August 29, 2006. As reported in that Report, Petitioners expect that the proposed transactions will result in no significant adverse effects on the human environment or on historic resources, and the responses received to date from notified federal, state and local governmental agencies are consistent with that expectation.²

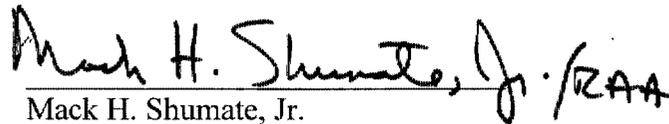
Subsequent to the filing of the Report, no additional letters were received from any federal, state or local government agency concerning any conditions to be imposed on the abandonment and discontinuance.

² As noted in the Report (page 1), UP's letter dated April 24, 2006 to federal, state and local government agencies notifying them of the proposed abandonment indicated an intention to abandon a slightly longer portion of the Kerrville Subdivision, beginning at MP 252.92, but UP and AGCR subsequently determined to reduce the abandonment and discontinuance, which is now to begin at MP 253.26.

CONCLUSION

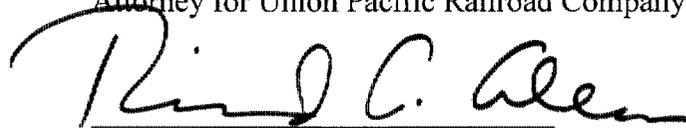
Application of the regulatory requirements and procedures of 49 U.S.C. § 10903 to the proposed transaction is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101 or to protect shippers from the abuse of market power, and the transactions are of limited scope. The Board should therefore grant petitioners' request to exempt the transactions from 49 U.S.C. § 10903.

Respectfully submitted,



Mack H. Shumate, Jr.
Senior General Attorney
Union Pacific Railroad Company
101 North Wacker Drive, Room 1920
Chicago, Illinois 60606
(312) 777-2055
(312) 777-2065 (Fax)

Attorney for Union Pacific Railroad Company



Richard A. Allen
ZUCKERT SCOUTT & RASENBERGER
888 Seventeenth Street NW
Suite 700
Washington DC 20006
(202) 298-8660

Attorney for Alamo Gulf Coast Railroad
Company.

Dated: December 15, 2006

VERIFICATION

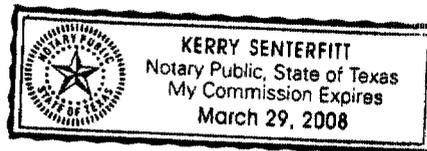
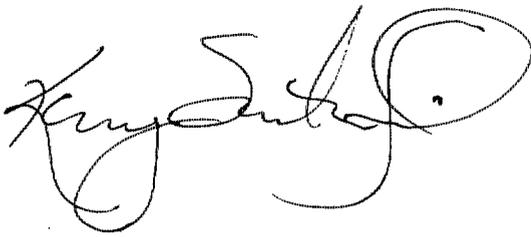
State of Texas,
County of Bexar,
SS:

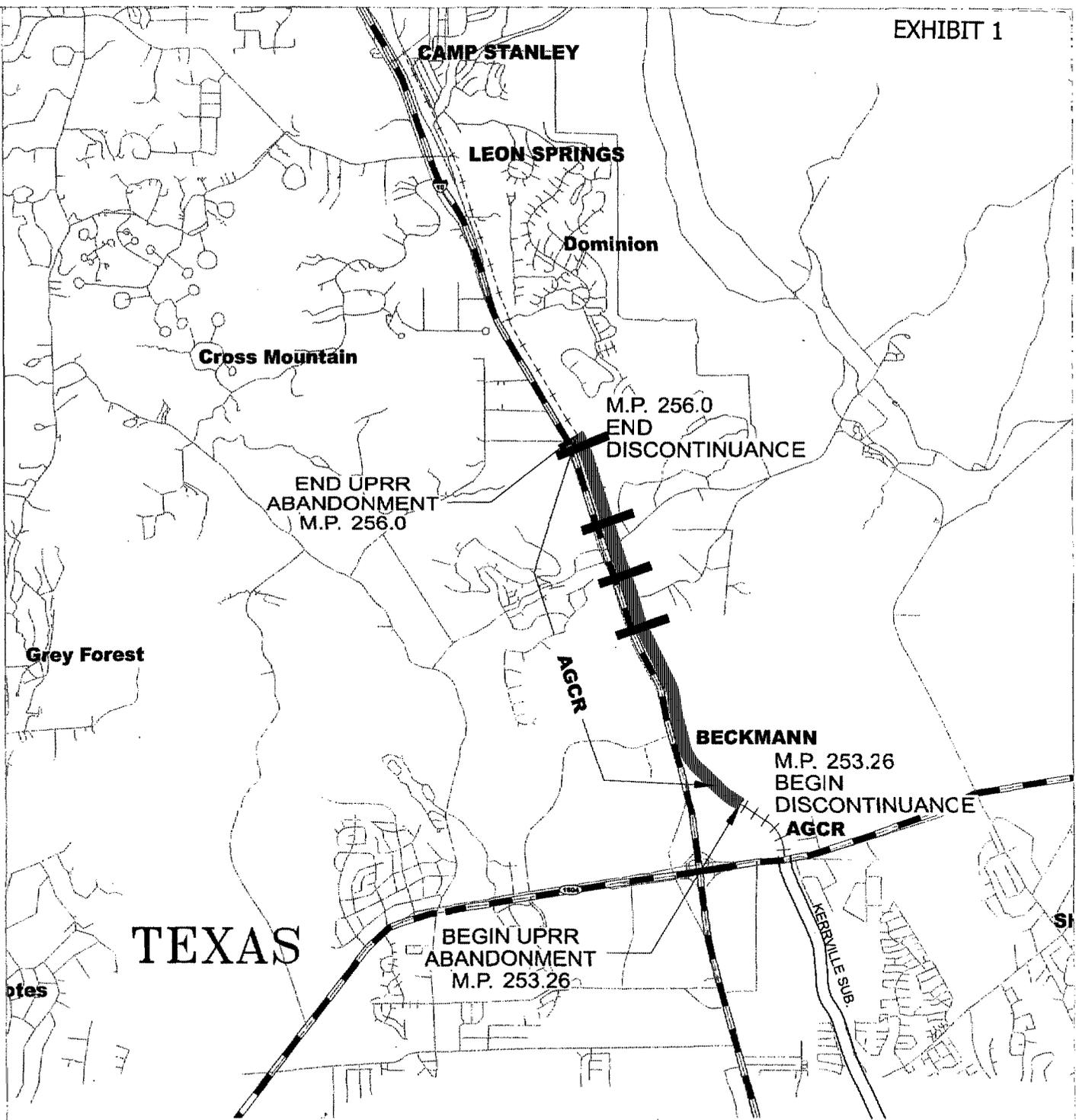
Steven Witkowski, being duly sworn, deposes and says that he has read the foregoing
Petition for Exemption, knows the facts asserted there pertaining to the Alamo Gulf Coast
Railroad are true and that the same are true as stated.



Steven Witkowski
Division Railroad Operations
Manager
Alamo Gulf Coast Railroad

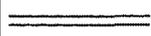
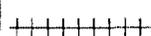
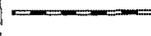
Subscribed and sworn to before me this 6th day of December, 2006.





BRIDGE NO.	BRIDGE TYPE	TOTAL LENGTH	DATE
253.06	12 SPAN TIMBER PILE TRESTLE OPEN DECK (TSTOD)	180'	1948
254.93	2 SPAN TIMBER PILE TRESTLE OPEN DECK (TSTOD)	26'	1918
255.33	7 SPAN TIMBER PILE TRESTLE OPEN DECK (TSTOD)	91'	1918
255.91	8 SPAN TIMBER PILE TRESTLE OPEN DECK (TSTOD)	78'	1918

LEGEND

-  UPRR LINES TO BE ABANDONED
-  OTHER UPRR LINES
-  OTHER RAILROADS
-  RAILROADS (abandoned)
-  PRINCIPAL HIGHWAYS
-  OTHER ROADS
-  50+ YEAR OLD STRUCTURES

KERRVILLE SUBDIVISION
 MP 256.0 TO MP 253.26
 2.74 MILES IN BEXAR COUNTY
 UNION PACIFIC RAILROAD CO.
 ALAMO GULF COAST RR, LESSEE
 KERRVILLE SUBDIVISION
 TEXAS
 INCLUDING 50+ YEAR OLD STRUCTURES



EXHIBIT 2

BEFORE THE SURFACE TRANSPORTATION BOARD

Docket No. AB-33 (Sub-No. 236X)

UNION PACIFIC RAILROAD COMPANY
—ANDONMENT EXEMPTION—

Docket No. AB-576 (Sub-No. 2X)

ALAMO GULF COAST RAILROAD COMPANY
—DISCONTINUANCE EXEMPTION—

IN BEXAR, COUNTY, TEXAS

NOTICE OF PETITION FOR EXEMPTION TO ABANDON AND DISCONTINUE SERVICE

On December 15, 2006, Union Pacific Railroad Company (“UP”) and Alamo Gulf Coast Railroad Company (“AGCR”) filed with the Surface Transportation Board a petition for exemption for the abandonment of and discontinuance on a line of railroad between milepost 253.26 and milepost 256.0 of UP’s Kerrville Subdivision in Bexar County, Texas, which traverses U.S. Postal Service Zip Codes 78028 and 78029, a distance of 2.74 miles.

The line does not contain federally granted rights-of-way. Any documentation in the railroads’ possession will be made available promptly to those requesting it.

The interests of railroad employees will be protected by conditions set forth in *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979).

Any offer of financial assistance will be due no later than 10 days after service of a decision granting the petition for exemption.

All interested persons should be aware that following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use.

Any request for a public use condition and any request for trail use/rail banking will be due no later than 20 days after notice of the filing of the petition for exemption is published in the *Federal Register*.

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment or discontinuance regulations at 49 CFR part 1152. Questions concerning environmental issues may be directed to the board's Section of Environmental Analysis.

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by the Section of Environmental Analysis will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Section of Environmental Analysis. EAs in abandonment proceedings normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the EA will generally be within 30 days of its service.

CERTIFICATE OF SERVICE AND PUBLICATION

The undersigned hereby certifies that a copy of the foregoing Petition for Exemption in Docket No. AB-33 (Sub-No. 236X) by Union Pacific Railroad Company and Docket No. AB-576 (Sub-No. 2X) by Alamo Gulf Coast Railroad Company was served on the date indicated below by mailing a copy, first class mail postage prepaid to the following:

MTMCTEA
Attn: Railroads for National Defense
720 Thimble Shoals Blvd., Suite 130
Newport News, VA 23606-2574

Public Utility Commission of Texas.
1701 N. Congress Ave.
PO Box 13326
Austin, TX 78711-3326

U. S. Department of the Interior
National Park Service
Recreation Resources Assistance Div.
P.O. Box 37127
Washington, D.C. 20013-7127

Bexar County Commissioners
100 Dolorosa Street, First Floor
County Courthouse
San Antonio, TX 78205-3038

U.S. Department of Agriculture
Chief of the Forest Service
4th Floor NW, Auditors Building
14th Street & Independence Ave., S.W.
Washington, D.C. 20250

William A. Mullins, Esq.
Baker & Miller, PLLC
Suite 300
2401 Pennsylvania Avenue, N.W.
Washington, D.C. 20037

The undersigned further certifies that a notice of the abandonment was published on December 13, 2006 in the *San Antonio Express News*, a newspaper of general circulation in Bexar County, where the rail line is located. The Notice as published was in the form prescribed by the Board for a Petition for Exemption at 49 CFR 1105.12.

Dated this 14th day of December, 2006.



Richard A. Allen