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March 28, 2006

## VIA ELECTRONIC FILING

The Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423-0001

Re: Finance Docket No. 34849  
*Kansas City Southern, The Kansas City Southern Railway Company, and Texas Mexican Railway Company – Exemption For Transactions Within A Corporate Family*

Dear Secretary Williams:

On March 17, 2006, Kansas City Southern (“KCS”), The Kansas City Southern Railway Company (“KCSR”), and Texas Mexican Railway Company (“Tex Mex”) filed a Notice of Exemption under 49 CFR 1180.2(d)(3) for an exemption from the prior approval and authorization requirements of the Surface Transportation Board (“STB” or “Board”) for a transaction within a corporate family. The transaction involved in the Notice of Exemption is KCSR’s acquisition, through assignment, of all of Tex Mex’s trackage and operating rights over the lines of the Union Pacific Railroad Company (“UP”) between Beaumont and Houston, TX, the lines of the Houston Belt & Terminal Railway Company (“HB&T”) in and around Houston, TX, and the lines of UP between Houston, TX and Corpus Christi and Robstown, TX. I write in response to inquiries from the Board requesting further elaboration of the exact tracks involved in the transaction.

Tex Mex acquired its trackage rights as part of the Union Pacific/Southern Pacific merger and its various related proceedings.<sup>1</sup> Those rights are governed by the Board’s decisions and three

<sup>1</sup> Union Pacific/Southern Pacific Merger, 1 S.T.B. 233 (1996), aff’d sub nom. Western Coal Traffic League v. STB, 169 F.3d 775 (D.C. Cir. 1999) (UP-SP Merger); Union Pacific/Southern Pacific Merger, STB Finance Docket No. 32760 (Sub-No. 26)(Houston/Gulf Coast Oversight), 3 S.T.B. 1030 (STB served Dec. 21, 1998).

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agreements that implemented those rights. It is Tex Mex's rights under UP-SP Merger and Houston/Gulf Coast Oversight and as contained in the three agreements that are being assigned to KCSR as part of the Notice of Exemption. The agreements, and the maps attached to those agreements, delineate the mileposts over which Tex Mex has trackage rights and the scope of those rights. The agreements were attached as Exhibit 2 to the Notice of Exemption. Those agreements and the mileposts governing Tex Mex's trackage rights pursuant to each agreement are delineated as follows:

(1) An agreement dated June 16, 1997 between Southern Pacific Transportation Company ("SP") and Tex Mex granting Tex Mex trackage rights over SP's tracks between Houston, Texas, in the vicinity of SP's Milepost 360.42 (Carr Street Connection) and Beaumont, Texas, in the vicinity of SP's Milepost 282.4.

(2) An agreement between Missouri Pacific Railroad Company ("MP"), SP, and Tex Mex governing tracks between Robstown, Corpus Christi, and Beaumont and various tracks in and around Houston, including the following:

MP's line between Robstown, Texas, in the vicinity of MP Milepost 141.48 and Placedo, Texas, in the vicinity of MP Milepost 224.2

MP's line between Corpus Christi, Texas, in the vicinity of MP Milepost 145.59, and Odem, Texas, in the vicinity of MP Milepost 132.2, via Savage Lane to MP's Viola Yard  
SP's line between Placedo, Texas, in the vicinity of SP Milepost 14.2, and West Junction, Texas, in the vicinity of SP Milepost 12.6, via Victoria, Texas, and Flatonia, Texas

SP's line between West Junction, Texas, in the vicinity of SP Milepost 12.6, and T&NO Junction, Texas, in the vicinity of SP Milepost 4.6

SP's line from West Junction through Bellaire Junction to Chaney Junction, in the vicinity of SP Milepost 2.8

SP's line from Chaney Junction, in the vicinity of SP Milepost 2.8, to Tower 26, in the vicinity of SP Milepost 360.7, via the Houston Passenger station

SP's line from Chaney Junction, in the vicinity of SP Milepost 2.8 to Tower 26, in the vicinity of SP Milepost 360.7, via the Hardy Street yard

MP's line from Settegast Junction, in the vicinity of MP Milepost 381.61, to the connection with HB&T at Interstate Junction, in the vicinity of MP Milepost 7.60

SP's line from T&NO, in the vicinity of SP Milepost 4.6 to the connection with PTR, in the vicinity of Katy Neck (GH&H Junction), in the vicinity of SP Milepost 1.3

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SP's line from SP Milepost 360.7 near Tower 26 to the connection with HB&T at Quitman Street, in the vicinity of SP Milepost 1.45

MP's line between Gulf Coast Junction, Texas, in the vicinity of MP Milepost 377.98, and Amelia, Texas, in the vicinity of Mp Milepost 451.4

MP's line between Amelia, Texas, in the vicinity of MP Milepost 451.4, and the connection with SP at Langham Road, Texas, in the vicinity of MP Milepost 456.7

SP's line between Langham Road, Texas, in the vicinity of MP Milepost 456.7, and Tower 74, in the vicinity of MP Milepost 458.8

MP's line between Tower 74, in the vicinity of MP Milepost 458.8, and (1) the connection with the Kansas City Southern Railway Company ("KCS") at GLC Jct., Texas, in the vicinity of MP Milepost 460.36 (KCS Milepost 766.7), and (2) the connection with KCS at the Neches River Draw Bridge in Beaumont, Texas, in the vicinity of KCS Milepost 766.0

(3) An agreement between Tex Mex and HB&T governing tracks in Houston, including, but not limited to HB&T's line from Quitman Street in the vicinity of HB&T Milepost 4.7 (West Belt Subdivision) to the HB&T's connection with UP at Gulf Coast Junction in the vicinity of HB&T Milepost 4.6 (East belt Subdivision), a distance of 3.6 miles, and HB&T's line from its connection with the SP at T. & N.O. Junction, TX (Tower 81) in the vicinity of HB&T Milepost 11.0 (West Belt Subdivision) to HB&T's connection with UP at Interstate Junction in the vicinity of HB&T Milepost 7.5 (East Belt Subdivision) a distance of 8.2 miles.

Tex Mex's rights within Houston were further clarified and amended in Houston/Gulf Coast Oversight to provide Tex Mex with a "clear route" through Houston. The purpose of the "clear route" provision was to provide dispatchers with the ability to route a Tex Mex train over any section of Houston switching track as necessary to improve service and alleviate congestion. As a result, not all mileposts and switching tracks over which Tex Mex can operate are specifically delineated within the three agreements.

KCS hopes that the foregoing delineation of Tex Mex's trackage rights will facilitate the Board's processing of the Notice of Exemption. If there are any further questions concerning the Notice of Exemption, please contact me by telephone at (202) 663-7823 or by e-mail at [wmullins@bakerandmiller.com](mailto:wmullins@bakerandmiller.com).

Sincerely,

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William A. Mullins

cc: Thomas J. Healey