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FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2875

THOMAS J. LITWILER
(312) 252-1508
tlitwiler@fletcher-sippel.com

Phone: (312) 252-1500
Fax: (312) 252-2400
www.fletcher-sippel.com

February 20, 2004

VIA HAND DELIVERY

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

Re: **STB Service Order No. FD 34479**
Arkansas Midland Railroad Company, Inc. -- Emergency
Service Order -- Line of Delta Southern Railroad, Inc.

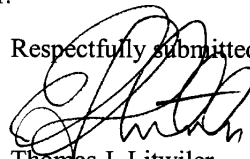
Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of a **Petition for Emergency Service Order**, dated February 20, 2004. Please note that expedited consideration of this Petition is requested.

One extra copy of the Petition and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

Please feel free to contact me should any questions arise regarding this filing. Thank you for your assistance on this matter.

Respectfully submitted,



Thomas J. Litwiler
Attorney for Arkansas Midland
Railroad Company, Inc.

TJL:tl

Enclosures

cc: Parties on Certificate of Service
Mr. Melvin F. Clemens, Jr., OCE

ENTERED
Office of Proceedings

FEB 23 2004

Part of
Public Record

2/10/24

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB SERVICE ORDER NO. 34479

ARKANSAS MIDLAND RAILROAD COMPANY, INC.
-- EMERGENCY SERVICE ORDER --
LINE OF DELTA SOUTHERN RAILROAD, INC.

RECEIVED
FEB 23 2004

PETITION FOR EMERGENCY SERVICE ORDER

EXPEDITED CONSIDERATION REQUESTED

ENTERED
Office of Proceedings

FEB 23 2003

Part of
Public Record

William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2875
(312) 252-1500

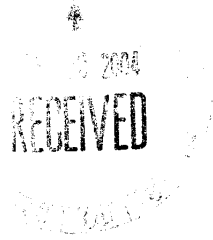
**ATTORNEYS FOR ARKANSAS MIDLAND
RAILROAD COMPANY, INC.**

Dated: February 20, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB SERVICE ORDER NO. _____

ARKANSAS MIDLAND RAILROAD COMPANY, INC.
-- EMERGENCY SERVICE ORDER --
LINE OF DELTA SOUTHERN RAILROAD, INC.



PETITION FOR EMERGENCY SERVICE ORDER

EXPEDITED CONSIDERATION REQUESTED

Pursuant to 49 U.S.C. § 11123 and 49 C.F.R. § 1146, and with the support and endorsement of Potlatch Corporation ("Potlatch"), Fulghum Fibres Company ("Fulghum"), Warren & Saline River Railroad Company ("W&SR") and Union Pacific Railroad Company ("UP"), Arkansas Midland Railroad Company, Inc. ("AKMD") hereby petitions the Board for an emergency service order allowing AKMD to provide local rail service on a UP-owned line between Dermott and Warren, Arkansas (the "Warren Line") currently leased to Delta Southern Railroad, Inc. ("DSRR"). DSRR has functionally ceased operations on the Warren Line, and no shipper on the line has received rail service for at least two weeks. Potlatch and Fulghum have been forced to divert their significant volumes of rail traffic to motor carriers, resulting in more than 90 trucks per day traveling over local highways and through local communities in southeastern Arkansas.

DSRR is apparently facing significant financial difficulties, and recently lost its insurance coverage. DSRR has experienced numerous derailments on the Warren Line in recent months -- including at least three in the month of January alone -- and has failed to make effective and timely repairs. After those derailments -- usually undisclosed to the on-line shippers -- DSRR

frequently has suspended operations for indeterminate periods. It recently imposed a one-day embargo on the Warren Line that was issued and withdrawn on the same day, February 6, 2004, without further explanation. It has an issued and still effective embargo on one of the two other lines (besides the Warren Line) that it operates. While DSRR has apparently made arrangements to obtain partial insurance, it has been unable to procure insurance coverage for cargo liability and equipment damage purposes, despite UP's assistance in seeking out such coverage. UP has formally notified DSRR of DSRR's default under the lease agreement between the parties, and indicated UP's intention to terminate the lease.

DSRR's failure to serve has resulted in significant disruptions of shippers' operations, massive accumulations of loaded railcars at Warren, and loss of business from shippers' own customers. Facing serious and continued uncertainty regarding DSRR's financial status and ability to operate, shippers on the Warren Line have ceased loading shipments for movement by rail and are utilizing temporary truck service on an emergency basis to keep their plants operating.

AKMD has been asked to step in and provide alternate rail service on the Warren Line, and AKMD is willing, able and committed to do so. The present situation on the Warren Line is an obvious rail service emergency requiring immediate action to serve the public. Without an immediate service order from the Board, DSRR's failure to provide service will result in substantial harm to affected rail shippers and the surrounding communities. This type of rail service failure is precisely what the Board sought to address when adopting its current service order regulations. See Expedited Relief for Service Inadequacies, 3 S.T.B. 968 (1998). The Board should issue the requested service order at the earliest possible time.

A map of the Warren Line is attached hereto as Exhibit 1. Statements joining and supporting this request for emergency relief from Potlatch (speaking on behalf of itself, W&SR and Fulghum) and UP are attached hereto as Exhibits 2 and 3, respectively.

BACKGROUND

The Warren Line extends from a connection with UP at milepost 422.32 in Dermott, Arkansas to milepost 461.74 at Warren, Arkansas, a distance of approximately 39.42 miles. Delta Southern Railroad Company ("Old Delta"), a prior incarnation of DSRR, leased the Warren Line from UP in 1997. Delta Southern Railroad Company -- Lease and Operation Exemption -- Union Pacific Railroad Company, Finance Docket No. 33451 (STB served September 23, 1997).¹ At the time of the 1997 transaction, Old Delta owned or leased two other former UP lines in Arkansas and Louisiana.² DSRR acquired assets of Old Delta in 1999. Delta Southern Railroad, Inc. -- Acquisition and Operation Exemption -- Delta Southern Railroad Company, Finance Docket No. 33802 (STB served October 20, 1999). DSRR is owned by William and Linda Wainwright; Mr. Wainwright had previously served as Old Delta's manager.

The Warren Line generates approximately 6,000 carloads of traffic per year, the vast majority of which are from Potlatch (outbound lumber and woodchips) and Fulghum (outbound woodchips) at the end of the line in Warren. Potlatch operates a pine sawmill at Warren that

¹ The 1997 transaction included the right for Old Delta to operate over UP's rail line from UP milepost 415.26 at Dermott to UP milepost 409.7 at McGehee, Arkansas, a distance of approximately 5.56 miles, for purposes of conducting interchange with UP at McGehee. As discussed below, this service order request includes the right for AKMD to conduct comparable interchange operations over UP's line to McGehee. UP, which supports the service order request, has expressly agreed to such operations.

² See Missouri Pacific Railroad Company -- Abandonment -- Counties in Arkansas and Louisiana (In the Matter of Offer of Financial Assistance), Docket No. AB-3 (Sub-No. 72) (ICC served September 30, 1988 and October 11, 1998); Delta Southern Railroad Company -- Acquisition and Lease -- Missouri Pacific Railroad Company Lines in Arkansas and Louisiana, Finance Docket No. 31854 (ICC served August 2, 1990).

produces 225 million board feet of lumber annually and employs 260 people. Fulghum is closely aligned with Potlatch, and produces woodchips at a facility in Warren that are then forwarded to a Potlatch mill at Cypress Bend, Arkansas. Taken together, Potlatch and Fulghum generate 5,500 carloads of traffic annually, or approximately 23 cars per business day. Fulghum is served directly by DSRR; Potlatch is served by W&SR, a wholly-owned switching carrier subsidiary of Potlatch that exchanges railcars with DSRR at Warren. Potlatch Statement, Ex. 2 at 16. There are two other active shippers at Warren (both served by W&SR), and two active and two inactive shippers at Monticello, Arkansas. Neither W&SR nor the shippers have access to the national rail network other than via the Warren Line.

DSRR, which initially provided rail service on the Warren Line five days per week, reduced the frequency of switching to customers to three days per week in 1999. Even that level of rail service, however, has deteriorated steadily in recent months, and particularly since December DSRR operations on the Warren Line no longer appear to be sustainable. A series of derailments have disrupted service to shippers on numerous occasions, and DSRR has failed to effect adequate repairs on the Warren Line to prevent future derailments. DSRR derailed a train on the Warren Branch on January 12, 2004, and did not resume any operations until January 16th. As discussed below, DSRR lost its insurance on January 20th and suspended operations again. It tried to resume operations on January 22nd after obtaining partial replacement insurance, but on that day derailed another three cars and spotted no empty cars for loading for most of the next week. After DSRR finally made spots repairs and attempted to resume operations, it overturned another two cars on January 28th and again suspended operations. Potlatch Statement, Ex. 2, Attachment A at 23-36. All told, DSRR provided rail service to Potlatch a total of eight (8) days in January. Potlatch Statement, Ex. 2, Attachment A at 34.

This service crisis simply exacerbated a situation in which loaded outbound Potlatch and Fulghum cars sat at Warren for days and sometimes weeks on end, empties were not available for loading (forcing the woodchip facilities at Warren to store their product on the ground), the woodchip destination mill at Cypress Bend, Arkansas faced shutdown for lack of product, and Potlatch lost business from customers unable to receive product in anything approaching a timely fashion. See e-mail correspondence attached to Potlatch Statement, Ex. 2, Attachment A at 18-37. DSRR's operational and maintenance difficulties and its repeated periods of service cessation belies any claim that DSRR can sustain rail operations for any length of time. Even if DSRR could manage to spot empty cars, shippers would not load them out of fear that DSRR will not be able to pick them up or transport them. Potlatch Statement, Ex. 2 at 17.

On January 20, 2004, DSRR lost its insurance and suspended operations. As the lessor of the Warren Line, UP has worked extensively with DSRR to help DSRR procure insurance coverages required for normal rail carrier operations. While DSRR acquired some form of partial insurance on January 22, 2004 and attempted to resume operations, after a period of more than four weeks it has not been able to obtain insurance coverage for lading or rolling stock damage and liability. The consensus of all parties is that DSRR likely will not be able to do so. UP Statement, Ex. 3 at 39. Particularly given the precarious and derailment-prone nature of DSRR's operations, shippers have been unable to tender traffic to DSRR in the absence of DSRR's reasonable ability to secure its continuing financial and operational viability. DSRR's lack of insurance, substandard maintenance and failure to provide service constitute substantial defaults under DSRR's lease of the Warren Line from UP, and UP has provided DSRR with notice that the lease will be terminated in thirty days if DSRR remains unable to cure those defaults. UP Statement, Ex. 3 at 39.

No DSRR rail service has been provided to Potlatch since February 2, 2004, and DSRR has apparently not served any customers on the Warren Line since February 6, 2004. Potlatch Statement, Ex. 2 at 16; UP Statement, Ex. 3 at 39. On that day, DSRR issued an embargo of all stations on the Warren Line, citing "track conditions" as the cause. See Exhibit 4 at 40 (DSRR Embargo 2-2004, AAR 2004 consecutive sheet 022). DSRR cancelled that embargo the same day, although the parties are aware of no positive developments that day with respect to DSRR's operations or the condition of the Warren Line. DSRR has offered no such explanations, and indeed has failed to resume rail service on the Warren Line since February 6th.³

DSRR has indicated to Potlatch that, even if DSRR were to resume operations on the Warren Line, it would restrict Potlatch's traffic to no more than three center-beam flat cars (the equipment used for Potlatch's outbound lumber shipments) in each DSRR train. UP Statement, Ex. 3 at 39. Even under the three days per week switch service that DSRR provided from 1999 until recently, that unilateral restriction would limit Potlatch to nine cars of lumber traffic per week. Given that Potlatch's outbound lumber traffic is approximately 15 cars per week, any rail service that DSRR could or would provide under that restriction would by definition be inadequate to meet Potlatch's rail transportation needs. UP Statement, Ex. 3 at 39.

As a result of DSRR's failure to provide rail service on the Warren Line, Potlatch and Fulghum have temporarily diverted all of their traffic to motor carriers, resulting in an increase of over 90 trucks per day on local roadways east and northeast of Warren. Local community reactions to these massive new truck movements has not been positive. Potlatch Statement, Ex. 2 at

³ Several weeks earlier, DSRR had embargoed all service on the north end of the rail line it owns between McGehee, Arkansas and Tallulah, Louisiana, again citing "track conditions." See Exhibit 5 at 42 (DSRR Embargo 1-2004, AAR 2004 consecutive sheet 007 (January 13, 2004)). That embargo remains in effect, and thus DSRR is experiencing significant service disruptions and cessations on at least two of the three rail lines that it operates.

17. Potlatch's outbound lumber traffic is currently being trucked to a temporary transload point on UP at McGehee, while Potlatch's and Fulghum's outbound woodchip traffic is being trucked to destination at Potlatch's mill in Cypress Bend, Arkansas. Such temporary motor carrier movements are costly, and in the absence of a timely resolution of the rail service crisis on the Warren Line, Potlatch would be required to make more permanent alternative trucking arrangements -- which would remove the vast majority of rail traffic from the Warren Line over the longer term and jeopardize any future viability of the Warren Line. Immediate Board action to address DSRR's continuing service failure and to assure adequate rail transportation to Potlatch, Fulghum and other shippers on the Warren Line is required.

49 C.F.R. § 1146.1(b)(1)(A)
NEED FOR RELIEF

Under the Interstate Commerce Act, when the Board finds that a:

. . . failure of traffic movement exists which creates an emergency situation of such magnitude as to have substantial adverse effects on shippers, or on rail service in a region of the United States, or that a rail carrier [] cannot transport the traffic offered to it in a manner that properly serves the public, the Board may, to promote commerce and service to the public, for a period not to exceed 30 days . . . require joint or common use of railroad facilities . . .

49 U.S.C. § 11123(a)(2). The regulations that the Board adopted in 1998 to provide expedited relief for service emergencies explicitly contemplated that Section 11123 could and should be used to address situations such as DSRR's failure to provide adequate -- and indeed, since at least February 6, 2004, any -- rail service on the Warren Line:

While section 11123 has typically been used to address regional service emergencies, such as the one recently experienced in the West, we believe it can also be used to afford more localized relief to shippers; that section broadly permits Board intervention to remedy service deficiencies having "substantially adverse effects" on shippers, or where a rail carrier "cannot transport the traffic offered to it in a manner that properly serves the public."

Expedited Relief for Service Inadequacies, Ex Parte No. 628 (STB served May 12, 1998) at 5

(footnote omitted). Under the Board's regulations as adopted:

Alternative rail service will be prescribed under 49 U.S.C. 11123(a) if the Board determines that, over an identified period of time, there has been a substantial, measurable deterioration or other demonstrated inadequacy in rail service provided by the incumbent carrier.

49 C.F.R. § 1146.1(a).

In this case, the standard for emergency service relief has clearly been met. Particularly since December, the deterioration of DSRR's operations on the Warren Line has become acute, and DSRR has been unwilling or unable to restore service on any sustainable basis. Derailments have occurred continually over that period, resulting in repeated cessations of service on the line. DSRR has lost its insurance and has failed to procure replacement coverage that would secure its obligations for lading and freight car damage and liability.⁴ DSRR has now shut-down its operation of the Warren Line completely, and there are apparently no shippers on the line who are able or willing to tender rail traffic to DSRR. Even if DSRR had proper insurance and was able to conduct operations on the Warren Line, the restrictions that DSRR itself has placed on its handling of center-beam flat cars for Potlatch would foreclose the movement of Potlatch rail traffic at its prior levels.

⁴ DSRR's failure to have insurance coverage considered standard in the railroad industry and necessary for the protection of shippers and interline carriers would itself appear to constitute a "demonstrated inadequacy" in rail service under Section 1146.1(a). Combined with DSRR's frequent derailments and cessations of service on the Warren Line, and now DSRR's complete shutdown of operations on the line, DSRR's failure to obtain insurance clearly indicates a seriously deteriorated rail service situation -- and one that the Section 1146 regulations were explicitly meant to address. In this regard, DSRR's insurance problems and its operational problems are related -- DSRR's failure to procure insurance arises from its repeated derailments on the Warren Line, its continued failure to effectively address the track conditions causing those derailments, and its recent claims history for damages arising from those derailments. UP Statement, Ex. 3 at 38. That situation seems to all parties unlikely to change in the near future.

In the meantime, a substantial volume of rail traffic -- upwards of 6,000 cars per year -- has been forced by DSRR's service failures to trucks, to the substantial detriment of both shippers on the Warren Line and the surrounding communities. This is not simply a circumstance where a shipper is dissatisfied with the number of switches it receives per day, or some increase in the transit times for its traffic. All rail service to all shippers on the Warren Line has now ceased as a result of DSRR's operational and service failures. Potlatch and Fulghum -- which together generate upwards of 95% of the rail traffic on the Warren Line -- strongly support and desire alternative rail service from AKMD. UP also strongly supports alternative rail service from AKMD. AKMD believes that the other rail shippers on the Warren Line are similarly situated.⁵ Section 1146 relief is intended precisely for such compelling circumstances.

49 C.F.R. § 1146.1(b)(1)(ii)
SUMMARY OF DISCUSSIONS WITH INCUMBENT CARRIERS

UP and Potlatch have engaged in extensive discussions with DSRR and with each other regarding the inadequacies and failures of DSRR's rail service on the Warren Line, and those discussions intensified through the end of January. See Potlatch Statement, Ex. 2 and attachments thereto. As discussed above, UP made extensive -- and ultimately unsuccessful -- efforts to assist DSRR in obtaining the appropriate insurance coverages for its rail operations. For more than two months DSRR has failed to effect repairs and maintenance on the Warren Line that would prevent further derailments or allow sustained rail operations. For the past month DSRR has failed to obtain insurance coverage for its lading and interline freight car obligations. There is no reason to believe that DSRR will achieve any further success in addressing or solving those issues in the near

⁵ Given the emergency nature of the cessation of service on the Warren Line and the need for expedited action, AKMD is filing this petition while continuing to initiate discussions with the remaining shippers on the Warren Line. AKMD or those shippers will advise the Board of further support for this emergency service order request.

future. The now-complete cessation of DSRR rail service on the Warren Line confirms that shippers and other interested parties can no longer afford to wait on DSRR, and that the time for appropriate Board relief is at hand.

49 C.F.R. § 1146.1(b)(1)(iii)
AKMD COMMITMENT TO PROVIDE SERVICE

AKMD is a class III rail carrier which already conducts operations on three separate rail lines in the state of Arkansas, each of which connects with UP. In each of those instances, AKMD acts as a "handling" carrier for UP -- AKMD does not appear in the route, and traffic to and from the branch moves in single-line UP routings with pricing and other terms determined by UP and the shipper. This is the same arrangement that UP currently has with DSRR on the Warren Line, and thus AKMD is extremely familiar with the nature and requirements of rail service to be provided on the Warren Line. AKMD has handled woodchip cars and center-beam lumber cars since its inception in 1992. AKMD also has an extensive and positive working relationship with UP, and thus expects to be able to put into place quickly the inter-carrier arrangements necessary to allow AKMD operations on the Warren Line. Indeed, that process is already substantially under way.

AKMD has provided Potlatch/Fulghum and UP, and now provides the Board, its commitment to provide rail service on the Warren Line that will adequately meet the needs of Potlatch, Fulghum and other shippers during the period of the requested service order. AKMD has an existing support infrastructure for rail operations in place in Arkansas, and has or is obtaining sufficient locomotive and crew resources to provide service on the Warren Line. AKMD is completing agreements with UP allowing for interim operations on the Warren Line, interim operations over UP's Dermott-McGehee line, and interchange of traffic at McGehee. Once a service order is issued, AKMD intends to move quickly to effect necessary spot track repairs on the

Warren Line, and initiate operations immediately thereafter. While AKMD personnel have not hi-railed the Warren Line, their trackside inspections indicate no reason why problematic and derailment-prone segments of the Warren Line cannot be made roadworthy if repairs are conducted in a thorough, diligent and timely manner. It simply appears that DSRR has been unwilling or unable to undertake such repairs or make investment in the property.

Because DSRR has ceased all operations on the Warren Line, no coordination of operations between AKMD and DSRR will be necessary.⁶ AKMD's operations on the Warren Line will have no effect or impact on the operation of DSRR's other rail lines (in Arkansas and Louisiana) or AKMD's other rail lines (in Arkansas), none of which are contiguous with the Warren Line. AKMD's operations over UP's Dermott-McGehee line will be subject to UP's control and all applicable UP operational and safety requirements.

The complete name, address and telephone number of AKMD is:

Arkansas Midland Railroad Company, Inc.
314 Reynolds Road, Building 41
Malvern, AR 72104
(501) 844-4444

49 C.F.R. § 1146.1(b)(1)(iv)
SERVICE OF PETITION

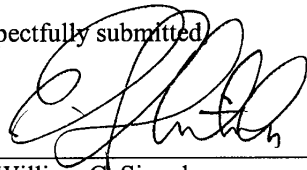
As indicated in the attached certificate of service, a copy of this petition has been served by facsimile on DSRR, by facsimile and overnight delivery on the last known regulatory counsel for DSRR, and by overnight delivery on the Federal Railroad Administration, Potlatch and UP.

⁶ Even If DSRR sought or was able to resume some manner of limited service, AKMD would coordinate operations so that AKMD and DSRR would never be operating on the Warren Line during the same period. Alternative service thus can plainly be provided in a safe manner, and indeed AKMD's operations on the Warren Line will be significantly safer than the problematic and derailment-prone operations that DSRR conducted until earlier this month.

Under 49 C.F.R. § 1146.1(b)(2), DSRR's reply to this petition will be due on Friday, February 27, 2004. Assuming that reply is served on counsel for AKMD by facsimile, AKMD's intention would be to file any rebuttal in the morning of Monday, March 1, 2004, thus allowing issuance of a Board decision as early in that week as possible.

WHEREFORE, AKMD respectfully requests that, pursuant to 49 U.S.C. § 11123 and 49 C.F.R. § 1146, the Board issue an emergency service order allowing AKMD to provide alternative rail service to all shippers on the Warren Line, and to conduct interchange operations on UP's Dermott-McGehee line, for an initial period of 30 days and a total period of not more than 270 days commencing on the date of issuance of such order.

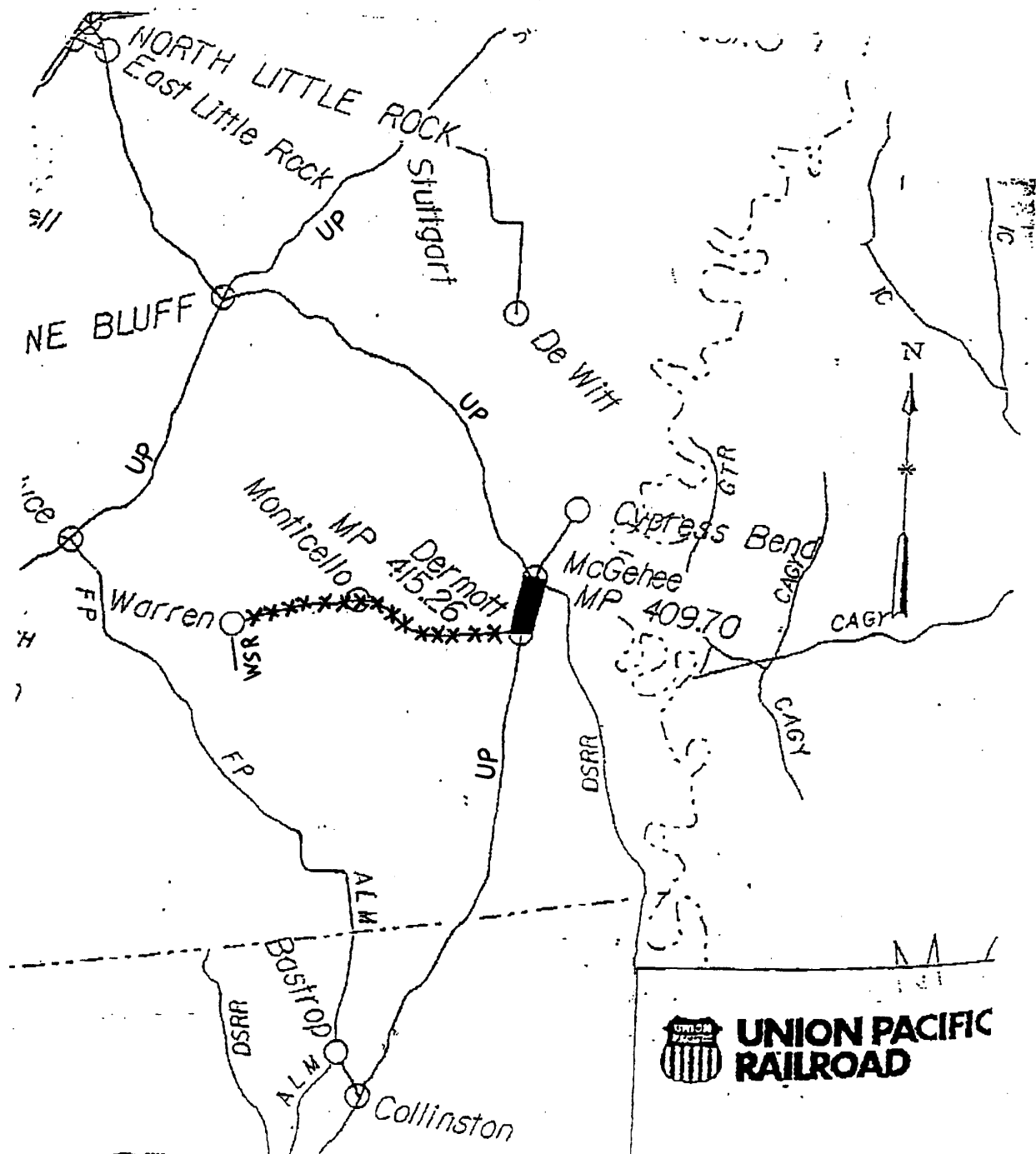
Respectfully submitted

By: 

William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2875
(312) 252-1500

**ATTORNEYS FOR ARKANSAS MIDLAND
RAILROAD COMPANY, INC.**

Dated: February 20, 2004



**UNION PACIFIC
RAILROAD**

— UNION PACIFIC RAILROAD
 ***** UP DERMOTT - WARREN LINE
 [Solid Black Rectangle] TRACKAGE RIGHTS OVER UP

CREATED BY ENGINEERING DEPARTMENT
 OMAHA, NE NO SCALE
 FILE ORIGINATOR ADVISED 4-20-57
 10/11/57

Potlatch

Potlatch Corporation
805 Mill Road
P.O. Box 1016
Lewiston, ID 83501
208-799-0123

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D.C. 20006

Dear Secretary Williams:

My name is David A. Weisel. I am the Director of Distribution for Potlatch Corporation ("Potlatch"). I am responsible for all Potlatch transportation and distribution functions.

Potlatch is a diversified forest products company with approximately 1.5 million acres of timberland and 4,200 employees in the United States. Potlatch owns approximately 485,000 acres of timberland in the State of Arkansas and operates a large sawmill at Warren, Arkansas located on a branch line (the "Warren Branch") owned by Union Pacific Railroad ("UP") and currently leased to and operated by Delta Southern Railroad ("DSR"). The Warren mill is a pine sawmill producing 225 million board feet of lumber annually and employing 260 people. The mill is physically switched by the Warren & Saline River Railroad ("WSR"), an 8-mile industrial railroad owned by Potlatch. WSR interchanges cars with DSR at Warren. Also located at Warren is Fulghum Fibres ("Fulghum"), a contract chip mill for Potlatch Corporation. DSR serves Fulghum directly.

Both facilities at Warren are highly dependent on rail. Lumber products from the Warren mill are shipped by rail to various destinations in the country. Fulghum's wood chips are moved by rail to a Potlatch paperboard mill at Cypress Bend, Arkansas. The two facilities together generate approximately 5,500 carloads of lumber and woodchips annually or approximately 23 cars per day.

Since December, the deterioration in rail service to Potlatch's mill and Fulghum's facility has become acute and on February 2, 2004, it stopped altogether. We have not had any rail service at the mill since that date. The deterioration of rail service not only affects one mill, but affects three Potlatch operations (the Warren lumber mill, the Fulghum chip operation, and the paperboard mill in Cypress Bend, AR). The DSR has had numerous derailments on the line involving Potlatch commodities in 2002 and 2003. Some loss and damage claims have been paid and some have not been paid. The Union Pacific Railroad advised the DSR lost its insurance carrier on January 20, 2004. Potlatch was told that the DSR had insurance on January 26, 2004. Even though we have asked numerous times for the insurance certificate, they haven't furnished it. We found out a little later that the DSR had liability insurance but not derailment and lading claim insurance. We have had many conversations with the UP and the DSR on the subject of not having adequate service. DSR has told us they cannot haul more than three center

beam cars per day due to insurance. This will not work. We are afraid to load railcars as we do not know if they will be picked up or delivered to destination. (See attachments)

Rail service is vital to Potlatch's business and after all the controversy and the difficulties with DSR's insurance and lack of service, we came to the conclusion that the DSR will be unable to provide adequate, consistent rail service for the foreseeable future. We are presently trucking our lumber to McGehee, AR for transloading to rail. This is a very costly and labor intensive way to operate. Fulghum and the Warren sawmill are also trucking chips to McGehee. This amounts to 92 trucks a day on the highway. Recently we had a local community express their concerns over trucking through their city long term. We seriously need to have the STB assist us in getting comprehensive rail service.

Potlatch is extremely pleased with the commitment of Arkansas Midland Railroad to step in and provide critically-needed rail service on the Warren Branch. Potlatch strongly supports Arkansas Midland's petition for an emergency service order allowing it to provide service on this important rail line, and urges the Board to provide relief at the earliest possible time. I am authorized to advise the board that WSR and Fulghum also strongly support Arkansas Midland's petition.

I urge the Board to grant Arkansas Midland Railroad's Petition.

Respectfully submitted,



David A. Weisel
Director of Distribution

Cc: Thomas York
WSR Rail Manager

Rick Warner
Plant Manager, Warren, AR

John Gray
V.P. Union Pacific

Charles Laggen
V.P./General Manager Midland Railroad

Charles Safelo
Fulghum Fibres

GLJOHNSO@up.com, 12:38 PM 10/20/03, Customer complaint

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Customer complaint
Cc: KRPAIGE@up.com, JTBLALOC@up.com, TAFRODYM@up.com, LLINDENB@up.com
Bcc:
Attached:

Gary,
Just received a call from Ken McDougald, Bradley Hardwood Manager, concerning empty chip cars. He emphasized the fact that they have no recourse for reclaiming chips once they are on the ground, and is concerned that they only have 1 car in the mill today. That car will be loaded by the end of the day.

He also is very disturbed that they haven't received payment for lost lading from the Delta Southern on cars that were derailed in February/March of this year. He says that he has called the DSR every Friday since 10/2/03, at which time the DSR assured him he would be receiving payment very soon. He says that they haven't returned any of his calls.

Thanks,
Bubba

Printed for Bubba York <Bubba.York@potlatchcorp.com>

Dharris@colla.com, 09:16 AM 12/16/03, Train service/car supply

To: Dharris@colla.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Train service/car supply
Cc: Sue.Hatch@potlatchcorp.com, TAFRODYM@up.com, GLJOHNSO@up.com,
Chuck_Pearson@up.com
Bcc:
Attached:

Donna,
Please tell me that we are set to receive some empty chip cars
tonite. We haven't had a train in Warren since around 10 am Thursday
(12/11/03).

The Southern Plant has been on the ground with their chips since
yesterday after lunch. We have 12 loaded chip cars and 2 loaded
lumber cars sitting in our way this morning.

Whatever you can do to help us out, we would certainly appreciate.
Can you let me know when and what the problem is?

Thanks,
Bubba

Hatch, Sue" , "Warner, Rick" <Rick.Warner@potlatchcorp.com>, 09:45 AM 12/29/03

To: "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Fwd: delta southern
Cc:
Bcc:
Attached:

Date: Tue, 23 Dec 2003 13:50:41 -0600
From: Kenneth McDougald <bradleylumber@direcway.com>
Subject: delta southern
X-Sender: bradleylumber@pop3.direcway.com
To: Chuck Pearson@up.com
Cc: "York; Bubba" <Bubba.York@potlatchcorp.com>
X-Mailer: QUALCOMM Windows Eudora Version 5.1
X-MailScanner-Information-PCHCLK: Potlatch Corporation mailscanner
X-MailScanner-PCHCLK: Potlatch scanner marked this clean

Mr. Pearson,
I got your name and email from Bubba York. He has conveyed to me the situation with chip cars. I want to let you know that we, at Bradley, have had our fill of this and similar situations involving the Delta Southern RR. Their credibility is non-existent. We have an outstanding claim with them from February for over \$50m and have received nothing but unkept promises. I have claims out for 4 chip cars in addition to that.
Bottom line, the current problem of having no chip cars is causing a severe hardship on our ability to operate. I know it is not your problem, but any amount of influence or pressure you can apply to this situation would be greatly appreciated by both us and Potlatch. We are making plans to be able to ship all our chips and lumber by truck due to the inability of local rail service to meet minimum requirements for service to us. I do not know the timeframe, but it will be sometime in the first quarter if all goes as planned. I have been unable to get any help from UP short-line customer service to do anything about our substantial losses due to the Delta Southern. We are a small company and every dollar spent must have a reason and a return.
thanks for reading this.
K. McDougald
General Manager
Bradley Lumber Company
Warren, Arkansas

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

Chuck_Pearson@up.com, 11:24 AM 12/29/03, Revenue from lost lading

To: Chuck_Pearson@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Revenue from lost lading
Cc:
Bcc:
Attached:

Chuck,

Sorry to write again, but I forgot to mention that the Delta Southern continues to owe Potlatch \$66,036.09 for lost lading on shipments dated 2/28/03.

In addition, they owe Potlatch \$11,594 for lost lading on shipments dated 11/14/03.

Thank you,
Bubba

Printed for Bubba York <Bubba.York@potlatchcorp.com>

Chuck_Pearson@up.com, 08:57 AM 1/12/04, Car Supply/Loads not moving

To: Chuck_Pearson@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Car Supply/Loads not moving
Cc: "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, "Grice, Scott" <Scott.Grice@potlatchcorp.com>, "Moseley, Jack" <Jack.Moseley@potlatchcorp.com>, JTBLALOC@up.com, TAFRODYM@up.com, GLJOHNSO@up.com, KRPAIGE@up.com, LLINDENB@up.com
Bcc:
Attached:

Chuck,

The WSR has no empty chip cars to spot the Southern mill today. They loaded everything we had last Friday(1/9), did not bring any cars over the weekend. More lost business.

My conductor talked with Tammy at DSRR at around 8:15 am, they supposedly have some for us, didn't know how many, probably be here sometime tonite.

Also, here is a list of loads and dates of shipment sitting on track 609, mainline, and Masonite track as of 7:45 am this morning:

LW 75038- 1/9- track 609
NOKL 733284- 1/9- track 609
CRLE 20722- 1/9- track 609
TTZX 85144- 1/9- track 609
MP 592611- 1/8- track 609
TTZX 862076- 1/8- track 609
MP 592690- 1/9- track 609
CHTT 273293- 1/8- track 609
MP 592879- 1/9- Mainline
MP 592419- 1/9- Mainline
MP 592341- RL Cypress Bend 12/3- Masonite track
MP 592332- RL Cypress Bend 12/5- Masonite track
MP 592457- 12/3- Masonite track
MP 592144- 10/26- Masonite track

Looking at my records of 1/9/04, DSRR had 10 loads left from the day before, plus I assume 16 loads that day from Fulgham, plus 8 loads that day from WSR, for a total of 34 loads.

Why are there still 10 loads waiting to be pulled, and why are we not receiving empty chip cars?

Thank you for your concern,

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

Bubba York, 10:06 AM 1/13/04, Service

To: "Bubba York" <Bubba.York@potlatchcorp.com>
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Service
Cc:
Bcc:
Attached:

We derailed yesterday, nothing bad but some track damage. This caused us not to spot cars into 809. I should be able to do that tonight.

Donna

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

GLJOHNSO@up.com, 10:21 AM 1/13/04, Day 2 Production lost

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Day 2 Production lost
Cc: TAFRODYM@up.com, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, JTBLALOC@up.com, Chuck_Pearson@up.com, KRPAIGE@up.com
Bcc:
Attached:

Gary,

As you probably know by now, the DSRR didn't make it to WSR with ANYTHING last nite. I received an e-mail from Donna this morning that they had a derailment yesterday. Supposedly nothing major, but had track damage.

We will be out again today at the Southern plant.

This just reinforces our position that the quality and quantity of service does not meet Potlatch's needs. By that I mean, we understand that unfortunate circumstances ARE going to happen, all the more reason to have regular train service with equipment supplied regularly.

Thank you,
Bubba

Donna Harris, 12:53 PM 1/15/04, service

To: Donna Harris <dharris@colla.com>
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: service
Cc: "Weisel; Dave" <Dave.Weisel@potlatchcorp.com>, "Warner; Rick" <Rick.Warner@potlatchcorp.com>, "York; Bubba" <Bubba.York@potlatchcorp.com>, Joel Blalock <JTBlaloc@UP.com>, Gary Johnson <GLJOHNSO@UP.com>, "Mai; Bob" <Bob.Mai@potlatchcorp.com>
Bcc:
Attached:

Donna-Is the derailment from this week still holding up your line from switching the Warren plant? We need some answers. There are approximately 60 cars waiting to be pulled, and it's very critical these get moved now. I have lumber cars that were shipped out of the mill on January 2nd, that are still on your line and have not been interchanged with the UP. I've tried to get a hold of Bill Wainright but he has not returned my calls. Please have Bill call me immediately @509-323-7967. We will have to resort to trucking material to our customers, plus discounting their lumber which is sitting on railcars not moving, this is an added cost that we will pass on to you for the delays in service.

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

GLJOHNSO@up.com, 01:37 PM 1/15/04, Service

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Service
Cc: Chuck_Pearson@up.com, JTBLALOC@up.com, KRPAIGE@up.com,
TAFRODY@up.com, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, "Warner,
Rick" <Rick.Warner@potlatchcorp.com>, "Hatch, Sue"
<Sue.Hatch@potlatchcorp.com>, "Grice, Scott"
<Scott.Grice@potlatchcorp.com>, "Moseley, Jack"
<Jack.Moseley@potlatchcorp.com>
Bcc:
Attached:

Gary,
As you're probably aware, today is a day like yesterday. No service
whatsoever into Warren, AR and Potlatch Corp.

Along with no service, I don't know anyone, customer-wise, who has
received any answers to the question regarding the DSRR's schedule
for renewing service, including me.

The situation at Warren has gone from terribly disappointing, to
disgusting, to costly, from our customers' point of view.

Am in receipt of a voice mail this morning concerning additional loss
of lumber business from rail to truck, due to unreasonable transit
times Warren to McGehee.

It is extremely unprofessional and anti customer- oriented for our
connecting carrier to: not return phone messages, not promptly inform
parties with reasonable estimations for service/service renewal, and
not know quantity/type equipment on trains bound for customer
facilities.

You are fully aware that Potlatch has several centerbeam loads of
lumber that have not reached the UP junction at McGehee, AR. Some of
these cars have been in transit for TWO WEEKS!

Not to pour fuel on the flame, but the Union Pacific's reputation is
taking a knockout punch, along with DSRR.
These facts do not speak well for the future of business, rail-wise,
in Warren, AR.

I realize you are aware of all these facts, along with the DSRR's
refusal to pull more than 3 lumber cars per train out of this origin.
Our customers deserve to know what the future, as best as UP can
determine, holds for this line.

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

Bubba York, 02:45 PM 1/16/04, Re: Loaded lumber

To: Bubba York <Bubba.York@potlatchcorp.com>
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Re: Loaded lumber
Cc:
Bcc:
Attached:

Thanks Bubba, we'll see what the weekend brings, I'm hoping some of these problems will be taken care of. The UP is working from their end putting pressure on the DS. I appreciate you keeping good notes and keeping me informed. We'll keep our fingers crossed!

At 10:00 AM 1/16/2004, you wrote:

Sue,
I don't have a list of exactly which cars have moved out of Warren nor Monticello, but here is a list of all lumber shipped out of Warren since January 2, 2004.

TBOX 665637-shipped 1/2-in Monticello TTZX 856088-shipped 1/2-?
UP 274500-shipped 1/2-?
TTZX 862165-shipped 1/5-? CHTT 273293-shipped 1/8-?
TTZX 862076-shipped 1/8-? TTZX 85144-shipped 1/9-?
CRLE 20722-shipped 1/9-? NOKL 733284-shipped 1/9-?
LW 75038-shipped 1/9-? CRLE 20839-shipped 1/10-?
TTZX 86564-shipped 1/10-? TTZX 861214-shipped 1/12-?
TTZX 856033-shipped 1/12-? TNER 9266-shipped 1/12-?
TR 274030-shipped 1/12-? LW 74029-shipped 1/13-Warren
TTZX 862116-shipped 1/14-Warren IBT 22029-shipped 1/14-Warren

I assume all cars shipped since 1/9 are either in Warren or in Monticello.

Thanks,
Bubba

Printed for Bubba York <Bubba.York@potlatchcorp.com>

GLJOHNSO@up.com, 11:56 AM 1/19/04, Service

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Service
Cc: Chuck_Pearson@up.com, JTBLALOC@up.com, TAFRODYM@up.com,
KRPAIGE@up.com, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Garner,
Ben" <Ben.Garner@potlatchcorp.com>, "Warner, Rick"
<Rick.Warner@potlatchcorp.com>
Bcc:
Attached:

Gary,
Just came in from Monticello, DSRR has about 20 loaded cars sitting
there, along with an undetermined number of empty chip cars. The
loads consist of both chip cars and centerbeams.

There are also numerous loaded cars sitting on 609 and the mainline
here in Warren. I would estimate around 20 to 40 cars are here.

The last word I heard from Donna, they were to run 2 loaded trains
into McGehee to clear these cars. That was Friday.

I don't want to be counterproductive, but unless these cars move and
continue to move, we're not gaining any ground in the service arena.
I just received a call from Raven Logistics, searching for a car that
we shipped 1/12. TTZX 856033 still hasn't reached the Union Pacific,
according to the person inquiring as to its whereabouts.

Bill Wainwright also contacted Sue Hatch Friday, informed her that
they were going to get all these loaded centerbeams to the UP. I
assumed with what he told Sue, and what Donna told me, that we would
see clear trackage today.

We did receive 6 empty centerbeams sometime over the weekend, but
still have about 20 more empty lumber cars in McGehee. At this rate,
we'll be lucky to get any more empty chip cars in time to keep from
running out this week, which should be about Wednesday. We also need
all the empty lumber cars we can get, considering we are closing in
on the end of the month.

Please let me know what you find out.

Thanks,
Bubba

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

Ben G Garner , Ted Frodyma <tafrodym@up.com>, 01:45 PM 1/20/04, Re: rail servi

To: Ben G Garner <Ben.Garner@potlatchcorp.com>, Ted Frodyma
<tafrodym@up.com>
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Re: rail service
Cc: "York; Bubba" <Bubba.York@potlatchcorp.com>, "Koulianos; Nick"
<Nick.Koulianos@potlatchcorp.com>, "Bass; Mike"
<Mike.Bass@potlatchcorp.com>
Bcc:
Attached:

I've been trying to reach all of you to tell you that the Delta Southern has ceased operations because their insurance company dropped them today. The UP is searching to try and find another insurance company to cover them, whether or not they'll be successful, I don't know. In the mean time we need to find trucks to start moving the chips. I should know by the end of today if the DS will be able to get insurance. I'll let you know when I get more information from the UP.

At 10:22 AM 1/20/2004, Ben G Garner wrote:
Ted,

Monday afternoon around 2 pm we received word from the paper mill that we were low on chips. I knew there were a lot of chips in cars and couldn't imagine why we should be low. On further investigation I found that UP came to the mill with only an engine on Monday-no cars. According to the computer and an eyewitness report there were chips at McGehee that could have been brought out. I called Reggie and left him a message telling him we were low on chips and needed any help he could give us I got a message later on that the best he could do was get an early train out on Tuesday morning. In the meantime we are scrambling around trying to located trucks that can get chips to the paper mill and keep us from running out. I relayed the message about the early train on to CB personnel. I was left a message back that the UP train was parked at the crossing by Fisher's Grocery at 8 am (this is about a mile out of McGehee) and the crew was in the grocery having breakfast. The message also said there were only 24-26 chip cars on the train. The computer said there were 53 available at McGehee that could have been brought and a total of 107 loaded cars. This is just another part of the rail service saga that started last week with no deliveries by DSR which I heard (never received official notice) was caused by a de-rail. If the paper mill hadn't taken an unexpected outage last week one day we would have been out of chips. I guess I'm feeling like the sense of urgency that we felt and tried to pass on to our rail providers was not responded to with the same urgency and I wanted to pass this on to you. Thanks for your help. ben

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Claims
Cc: JTBLALOC@up.com, Chuck_Pearson@up.com, WCWILSON@up.com, TAFRODYM@up.com, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Moseley, Jack" <Jack.Moseley@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, "Garner, Ben" <Ben.Garner@potlatchcorp.com>
Bcc:
Attached:

Gary,
There are approximately 99 loads of chips sitting in Warren and Monticello at the present time.

There are 22 loaded centerbeams of lumber in these same locations.

Both the lumber and chips loaded on/in these cars have been sitting for up to 2 weeks, as of today.

Wood chips mold/mildew after a period of time in containers without ventilation, thereby making them useless.

Lumber destined to treaters will obtain too much moisture for use. Mold is THE major problem with lumber exposed to the elements.

These factors, along with lost customers, is now a huge concern for Potlatch because of the transportation time involved to date. The possibility of additional idle time only heightens the concern, both for the customer and Potlatch.

Potlatch reports they are behind what's invoiced by an additional 13 carloads, due to the present situation.

UP's Steve Moore reassigned 32 empty lumber cars, already in McGehee, bound for Potlatch, along with 4 we have on hand.

Thanks,
Bubba

GLJOHNSO@up.com, 03:00 PM 1/23/04, Derailment

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Derailment
Cc: JTBLALOC@up.com, Chuck_Pearson@up.com, WCWILSON@up.com, TAFRODYM@up.com, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, "Moseley, Jack" <Jack.Moseley@potlatchcorp.com>, "Grice, Scott" <Scott.Grice@potlatchcorp.com>
Bcc:
Attached:

Gary,
Just arrived in Warren from McGehee. The DSRR has had a derailment approximately 3/4 mile west of crossing at Collins, AR. As far as I know, no one with Potlatch nor WSR has been notified.

According to the information I obtained at the site, this incident occurred sometime early this morning(after 3 am). Three loaded hoppers were involved, all with total loss to lading. Hulcher is on site at this moment, with estimation of dark today being finished with rerailing.

Some track damage occurred with this incident, how much, I don't know. DSRR has 2 engines and empties bound for Monticello tied up behind site; plans are to push the 3 cars involved back into Monticello.

13 loaded centerbeams are in Warren, left from earlier dates of shipment. Also, WSR delivered 2 loaded centerbeams and 13 loaded hoppers to interchange today.
We will have 2 more loaded centerbeams tomorrow, if DSRR makes delivery tonite. We were expecting 7 empty centerbeams on this train.

Thought you'd want to know,
Bubba

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

GLJOHNSO@up.com, 09:54 AM 1/26/04, Service

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Service
Cc: WCWILSON@up.com, JTBLALOC@up.com, Chuck_Pearson@up.com, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, "Moseley, Jack" <Jack.Moseley@potlatchcorp.com>, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, "Grice, Scott" <Scott.Grice@potlatchcorp.com>
Bcc:
Attached:

Gary,
The DSRR has again not met its stated commitment to having all loads removed from Warren by the weekend.

As of 8:30 am today, here is a list of loaded cars sitting in Warren:
Track 609- LW 74069 TTZX 862116 IBT 22029
TTZX 862509 CRLE 20729 TTZX 861625
TTZX 862159

DSRR Mainline- MP 592608 MP 592502 MP 592367
MP 592911 MP 592960 TR 274007 TTZX 864742
TTZX 856719 ATW 50155 HLSC 2313 NOKL 730621
NOKL 733493 TTZX 856822 MP 592056 MP 592205
MP 592905 MP 592634 MP 592708 MP 592678 MP 592371
MP 592855 MP 592873 MP 592864 MP 592921 MP 592669
MP 592384

There is also about 40 loaded cars sitting in Monticello as of this same time today, as well as a siding full of empty centerbeams and hoppers.

There seems to be no plan of moving any loaded equipment until tonite, as there are 2 DSRR engines sitting between the loads and about 16 empty hoppers here, with Fulgham working on its day's run of empties now. We received 10 empty hoppers and 1 empty centerbeam sometime late yesterday afternoon/nite.

Ben Garner and Sue Hatch, both of Potlatch, each directly notified DSRR of Potlatch's requirement for the movement of all loads, expressly stating NO desire for empty equipment until job done.

This, along no customer notification to date of a derailment problem, constitutes a blatant disregard for our customers' and this business' needs. This action also insures a continuing congestion problem, especially with the mills running full force and a focus of

Printed for Bubba York <Bubba.York@potlatchcorp.com>

GLJOHNSO@up.com, 11:57 AM 1/26/04, Car reporting

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Car reporting
Cc: WCWILSON@up.com, Chuck_Pearson@up.com, JTBLALOC@up.com, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>
Bcc:
Attached:

Gary,
Traced all cars left in Warren, found that all loaded cars show NOW
AT MONTICELLO.

Think I've figured how they get reported that way: this phase-in you
were talking about. Talked with your EDI people, it seems that we are
supposed to go to steelroads.com, report each car as to its
disposition, data goes directly into your computer system, as I
understand it.

Item left out of first mail: Talked with Donna Friday at 10:30 am,
asked her to let me know, before 2:30 pm due to my crew's quitting
time, about centerbeams coming in, never heard back from her, called
at 3:03 pm, she said we would be getting 7 that nite, called out crew
for Saturday morning, nothing here. Do I send you a bill for the 4
hour callout? That's the second time this month.

Thanks,
Bubba

GLJOHNSO@up.com, 09:30 AM 1/26/04, Service

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Service
Cc: WCWILSON@up.com, Chuck_Pearson@up.com, JTBLALOC@up.com, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Moseley, Jack" <Jack.Moseley@potlatchcorp.com>, "Grice, Scott" <Scott.Grice@potlatchcorp.com>, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, LLINDENB@up.com
Bcc:
Attached:

Gary,

As of 8 am this morning:

- a) 12 loaded centerbeams that have been on 609 remain
- b) 9 loaded hoppers and 2 loaded centerbeams that were on DSRR mainline remain
- c) there are now 16 loaded hoppers east of these at Cow-boy's crossing
- d) Fulgham has 16 empty cars to load today
- e) train that has been sitting in Monticello since Monday, with 3 loaded centerbeams on it, is still there today
- f) train that was in Warren yesterday, with 3 loaded centerbeams on it, is gone
- g) 2 DSRR engines (101 and 106) that were a part of train in Warren is now on a siding in Monticello
- h) 6 empty centerbeams in siding at Monticello remain
- i) Southern plant is out of hoppers
- j) Southern plant has been without centerbeams since 1/26
- k) have had service 8 days this month, received hoppers only 5 of those days
- l) at the end of the day, there should be 66 loaded cars in Warren

I have but five questions today:

- 1) how did DSRR get 16 empties to Fulgham from Monticello yesterday OR did DSRR pull 59 empties to Warren Sunday nite
- 2) why did DSRR bypass an older made-up train (Monticello)
- 3) DSRR can service Fulgham, why can't they service the Southern plant, Wood Lumber Co, Armstrong, and Bradley Hardwood
- 4) why hasn't there been an empty train out of McGehee this week
- 5) how is this congestion problem clearing when loads CONTINUE to stack up

Printed for Bubba York <Bubba.York@potlatchcorp.com>

1

Ben Garner, 10:59 AM 1/29/04, Derailment 1-28-04

To: "Ben Garner" <Ben.Garner@potlatchcorp.com>
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Derailment 1-28-04
Cc: "Sue Hatch" <Sue.Hatch@potlatchcorp.com>, "Bubba York" <Bubba.York@potlatchcorp.com>, "Shelia Towerly" <shelia.towery@potlatchcorp.com>
Bcc:
Attached:

We had a derailment last night. MP592746 & LW73049 were turned over. We will be moving in a few hours.

GLJOHNSO@up.com, 11:09 AM 1/29/04, Service

To: GLJOHNSO@up.com
From: Bubba York <Bubba.York@potlatchcorp.com>
Subject: Service
Cc: WCWILSON@up.com, Chuck_Pearson@up.com, JTBLALOC@up.com, "Hatch, Sue" <Sue.Hatch@potlatchcorp.com>, "Warner, Rick" <Rick.Warner@potlatchcorp.com>, "Garner, Ben" <Ben.Garner@potlatchcorp.com>, "Moseley, Jack" <Jack.Moseley@potlatchcorp.com>, "Grice, Scott" <Scott.Grice@potlatchcorp.com>
Bcc:
Attached:

Gary,
As of 10:45 am, this is a list of equipment and location:

Track 609 and Mainline in Warren is exactly as they were 1/27/04. 12 loaded centerbeams on 609, 9 loaded hoppers and 2 loaded centerbeams on mainline.

DSRR mainline at Cowboy's crossing:
16 loaded hoppers

Fulgham Fibers mill:
16 loaded hoppers

WSR interchange:
10 loaded hoppers, 1 loaded centerbeam

No empty hoppers nor centerbeams at Fulgham or Southern

Train that was in Monticello is gone

Derailment just inside Dermott has MP 592746 and LW 73049 turned over per Donna Harris of DSRR

Thanks,
Bubba

Printed for Bubba York <Bubba.York@potlatchcorp.com>

Ben G Garner, 12:10 PM 2/9/04, chip hauling

X-Sender: bggarner@warren.potlatchcorp.com
X-Mailer: QUALCOMM Windows Eudora Version 5.2.0.9
Date: Mon, 09 Feb 2004 12:10:01 -0600
To: "Weisel; Dave" <Dave.Weisel@potlatchcorp.com>,
"Hatch; Sue" <Sue.Hatch@potlatchcorp.com>
From: Ben G Garner <Ben.Garner@potlatchcorp.com>
Subject: chip hauling
Cc: "Koulianos; Nick" <Nick.Koulianos@potlatchcorp.com>,
"Warner; Rick" <Rick.Warner@potlatchcorp.com>,
"York; Bubba" <Bubba.York@potlatchcorp.com>,
"Bass; Mike" <Mike.Bass@potlatchcorp.com>,
"Horne; Bill" <Bill.Horne@potlatchcorp.com>

FYI

We were going to try to load some rail cars lighter today and tomorrow to try and help get some lumber cars moved but found out this morning that DSRR did not have derail insurance. We had started loading cars but stopped, contacted our trucking contractors, and committed to them for three weeks work to assure us of getting chips moved. ben



February 20, 2004

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

RE: Arkansas Midland Railroad Proposed Operation of the Warren Branch

Dear Secretary Williams:

This letter is in support of Arkansas Midland Railroad's (AKMD) request for an emergency order to operate the Warren Branch between M.P. 422.32 at Dermott, AR and M. P. 461.74 at Warren AR, a distance of 39.42 miles, as well as incidental overhead trackage rights between Dermott, AR and McGehee, AR, and some ancillary facilities at the McGehee, AR yard (the "Line"). Union Pacific has had a favorable business relationship with AKMD and is of the opinion that AKMD will be able to provide the common carrier rail service required to operate the Line. UP has been in discussions with AKMD, and both UP and AKMD are prepared to move quickly to provide the required interim service on the Line, including applicable interim car supply and interchange arrangements under an Interim Use Agreement intended to be implemented as soon as possible after issuance of an authorizing Service Order by the Surface Transportation Board.

As background, the Warren Branch was leased to Delta Southern Railroad (DSRR) under authority granted in FD 33451 dated August 29, 1997 (the "Lease"). The principle customer on the Warren Branch is Potlatch Corporation which originates lumber on centerbeam flat cars and wood chips at Warren, AR. When DSRR's operations are functioning, DSRR operates service between Warren and McGehee, AR where DSRR interchanges with UP. The centerbeam flats are then forwarded to various destinations, and the loaded wood chip hoppers moved by UP crews from McGehee to Potlatch at Cypress Bend, AR. The Potlatch mill at Cypress Bend depends on regular delivery of wood chips for its paper production.

DSRR originally provided service 5 days per week from Warren in 1997, but in 1999 reduced service to three days per week. Beginning in December 2003, service has become erratic and based on no predictable schedule. Due to customer complaints, UP requested DSRR to provide a daily report of cars handled to and from Warren on January 16, 2004. DSRR has not provided any reports. During the week of January 19, 2004 DSRR unilaterally suspended the Warren Branch operation due to lack of required insurance protection. UP's Director of Insurance worked diligently during that week to assist DSRR in obtaining adequate replacement insurance but was unable to obtain required insurance coverage because of DSRR's claims experience and the general condition of the Line. Although DSRR acquired partial insurance on January 22, 2004, they still have been unable to obtain any coverage for

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1416 Dodge Street, Omaha, NE 68179

foreign rolling stock or lading. Based on UP's discussions with its insurance brokers, UP is of the opinion that DSRR will be unable to obtain the insurance coverage required under the Lease.

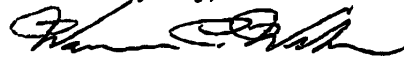
On January 30, 2004, the UP Engineering Department conducted a partial review of the Warren Branch and determined the track did not meet Class 1 standards. UP understands the FRA has subsequently inspected the line and reached the same conclusion. DSRR's contract with UP requires the line to be maintained at Class 1. Moreover, it is UP's understanding that DSRR has sustained several derailments on the Line in recent weeks resulting in damage to UP rolling stock and shipper lading. We understand three wood chip hoppers were derailed on January 22, 2004, followed by another derailment of one wood chip hopper and one centerbeam on January 28, 2004. We are not aware of any operations after February 6, 2004. In fact, the Line was embargoed by DSRR with the AAR on February 6, 2004, although the embargo was canceled that same day.

During the week of February 2, DSRR advised UP and Potlatch that outbound centerbeam cars and wood chip cars were being overloaded resulting in damage to DSRR's tracks. To UP's knowledge, DSRR at that time had no specific weights on which to base this statement. UP voluntarily checked 188 carloads that had been loaded at Warren, and humped at UP's N. Little Rock Yard which automatically weighs cars. UP found that only 4 out of 188 carloads exceeded 268,000 lbs. and these few could possibly be attributed to rain. All of the detailed scale weights on the centerbeams were furnished to DSRR on February 10, 2004; however, UP has heard nothing further from DSRR on the subject. Potlatch advised UP they weigh every chip car at Cypress Bend and none were overloaded. DSRR admitted the chip cars may not be overloaded, but they were "top heavy" because Potlatch "crowns" the chip loads. In UP's experience, this is standard practice and is permitted as long as the chips are not flowing over the sides of the cars. Potlatch has advised this has been their practice since DSRR took over the Warren Branch.

To our knowledge, there has been no train service on the Warren Branch for approximately two weeks. As a result, Potlatch has been forced to truck chips directly to Cypress Bend, causing a severe increase in truck traffic on Arkansas roads. Furthermore, DSRR has advised Potlatch they cannot pull any more than three loaded centerbeams per trip. Since the mill's production is 15 carloads per week, DSRR is unable to meet the customer's requirement under DSRR's own rules.

Union Pacific issued a formal notice of default on February 3, 2004 under the contract to DSRR; however, DSRR has 30 days to cure. In addition, UP sent a request for immediate termination of the Lease to give DSRR the opportunity to mitigate damages on February 12, 2004. DSRR turned down this request. Meanwhile, DSRR's Warren Branch is virtually shut down. UP supports AKMD's desire to institute emergency service on the Line and urges the Surface Transportation Board to take prompt action to restore service on the Warren Branch.

Yours very truly,



Warren C. Wilson
Senior Manager Rail Line Planning



[Submit Embargo Amendment] [Cancel Embargo]

Association of American Railroads

Embargo Notices for: 02/06/2004

Consecutive Sheet:022

Roadmark:

DSRR

Railroad:

DELTA SOUTHERN RAILROAD COMPANY

Embargo Number:

2-2004

Amendment Number:

Current Status:

Cancelled

Embargo Effective Date:

02/06/2004 00:00

Commodity:

All Commodities

Destination Gateway or Territory:

To, From or Via the following station(s)/FSAC Number(s), State(s) or Province(s)

Dermott, AR / 52216 to Warren, AR / 52488

Consigned or Reconsigned To, or Intended For:

Customer(s) - All customer(s) at that location

Cause:

Track Conditions

Amend:

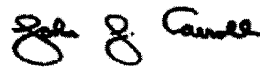
None

Exception:

None

Note:

Supercedes - No



John Carroll
Sr. Asst. VP - Business Services
Association of American Railroads

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Association of American Railroads

Embargo Notices for: 01/13/2004**Consecutive Sheet:007****Roadmark:**

DSRR

Railroad:

DELTA SOUTHERN RAILROAD COMPANY

Embargo Number:

1-2004

Amendment Number:**Current Status:**

Effective

Embargo Effective Date:

01/13/2004 23:59

Commodity:

All Commodities

Destination Gateway or Territory:

To, From or Via the following station(s)/FSAC Number(s), State(s) or Province(s)

Lake Village, AR (FSAC 00020)

Eudora, AR (FSAC 00025)

Shelburn, LA (FSAC 00030)

Consigned or Reconsigned To, or Intended For:

Customer(s) - All customer(s) at that location

Cause:

Track Conditions

Amend:**Exception:**

None

Note:

Supercedes - No

J.J. Carroll

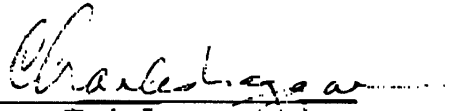


John Carroll
Sr. Asst. VP - Business Services
Association of American Railroads

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VERIFICATION

Charles Laggan, under penalty of perjury, declares and verifies that he is Vice President and General Manager of Arkansas Midland Railroad Company, Inc., that he has read the foregoing Petition and knows the facts asserted therein, and that the same are true as stated.



Charles Laggan

Dated: February 19, 2004

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of February, 2004, a copy of the foregoing

Petition for Emergency Service Order was served by facsimile and U.S. mail upon:

William P. Wainright
President
Delta Southern Railroad, Inc.
P.O. Box 1709
Tallulah, LA 71282
Fax: (318) 574-4029

and by facsimile and overnight delivery upon:

John D. Heffner
John D. Heffner, PLLC
1920 N Street, N.W., Suite 800
Washington, DC 20036
Fax: (202) 296-3939

and by overnight delivery upon:

Office of Chief Counsel
Federal Railroad Administration
400 Seventh Street, S.W., Room 5101
Washington, DC 20590

David A. Weisel
Director of Distribution
Potlatch Corporation
805 Mill Road
Lewiston, ID 83501

Warren C. Wilson
Senior Manager Rail Line Planning
Union Pacific Railroad Company
1416 Dodge Street, Room 1110
Omaha, NE 68179



Thomas J. Litwiler