

#E1-2543
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September 6, 2006

FD 34284

10/6/06

Mr. Chris Mitchell
Medina County Precinct 1
275 CR 341
Hondo, TX 78861

Re: Southwest Gulf Railroad

Dear Commissioner Mitchell:

I am writing to bring you up to date on the status of the Southwest Gulf Railroad (SGR) project and to address some concerns that you have raised.

As you know, the Surface Transportation Board is currently studying some additional alignments for the SGR line that are located further to the east of the alignments that were considered in its initial Draft Environmental Impact Statement (EIS), issued last October. When the STB has completed its assessment, a Supplemental Draft EIS will be issued. We understand that public comment will be solicited on that Supplemental EIS as it was on the original Draft EIS. The STB will then issue a Final EIS and a final decision on SGR's request for permission to construct its rail line.

Assuming that the STB allows the SGR line to be built, its decision will, without doubt, impose a series of mitigation measures on SGR that will be designed to protect the public's interest in the environment and safety. Grade crossing safety, water quality issues and flooding are very likely to be addressed in the form of conditions imposed by SGR. In fact, the STB proposed such conditions in its previously-issued Draft EIS. SGR has previously offered that several mitigation conditions of its own be included in the Final EIS (including a condition requiring a hydrological study to address flooding concerns) and has stated that it will comply with these and other conditions imposed on it by the STB. Indeed, any conditions included in the EIS (including those offered by SGR) will not be voluntary and SGR compliance will be mandatory.

SGR anticipates that its proposed rail line will eventually be built. Were that not to happen, however, a substantial volume of truck traffic between the planned Vulcan quarry and the Union Pacific mainline near Dunlay can be expected. In that event, Vulcan has committed to work with the County to upgrade roads to handle this traffic. That commitment remains on the table. Given that the railroad remains the first option, however, we believe that it would be unproductive to work out the details of those road upgrades at this time. Since the STB has no jurisdiction over road upgrade matters, we do not anticipate that any decision it might make will

have any bearing on our ability at some future point to work with you to reach a resolution on any road upgrades that might be appropriate if the railroad were not to be approved.

Even if, as we expect, the SGR line is approved and constructed, Vulcan has stated that some road upgrades will still be warranted to handle quarry employee traffic and some local truck traffic generated by the quarry. We hope that we can have a dialogue with you on these upgrades at this time, and look forward to the opportunity to meet with you to discuss this further.

As to flooding, as I have noted, the STB addressed this issue in its Draft EIS and proposed a variety of mitigation measures, including measures that SGR itself proposed. We anticipate that the STB will further address this matter in its forthcoming environmental review documents. Moreover, SGR has consulted with the Medina County Floodplain Administrator and intends to do so further with respect to its rail line. SGR will also work cooperatively with the US Army Corps of Engineers on water issues and adhere to all applicable government requirements. It is certainly not in SGR's interest to build a rail line that will result in flooding, and it does not intend to do so. We would be pleased to discuss this further with you.

With respect to grade crossing safety, once a final alignment is chosen, SGR will work cooperatively with the state highway officials to ensure safe and properly protected grade crossings. While we do not believe that a grade separation is required at FM 2676, that is a matter on which the officials charged with grade crossing safety will make a final decision based on well-established highway crossing criteria. It bears note that SGR has designed its preferred route to cross FM 2676 and other roads at a point where there is maximum sight distance for vehicles. The same cannot be said of others who have offered their own alignments for the SGR line. Again, we would be pleased to speak with you about this matter as we are as interested in safety as you are.

Again, we hope that we can meet with you in the near future to discuss these matters.

Best regards,

A handwritten signature in black ink, appearing to read "Clay Upchurch".

Clay Upchurch
Director Human Resources

cc: Judge Barden
Rini Ghosh, SEA
Tom Ransdell, SGR