



September 26, 2011

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
United States Department of Transportation
395 E Street, S.W., Suite 1200
Washington, D. C. 20423-0001

Dear Chairman Elliott:

Farmrail System, Inc.'s two wholly owned common-carrier subsidiaries, Farmrail Corporation and Grainbelt Corporation, operate 369 miles of contiguous rail lines in western Oklahoma. This letter responds to your request for a forward-looking status report through the coming yearend with respect to weather, congestion, preparation and investment.

Our territory has been devastated by severe drought since last October, reportedly the worst since formal meteorological record-keeping began in 1921. As reported to the National Grain Car Council, elevators accessed by our railroads took in 66% less winter wheat than in 2010, so there has been no associated traffic congestion or shortage of hopper cars. Without a near-term change in the weather pattern, next year's crop also will be seriously jeopardized.

On the other hand, Anadarko Basin oil and gas development activity is flourishing. A record volume of inbound sand for hydrofracking is creating congestion, since most receiving transloaders lack permanent storage for the different grades of product used in the horizontal-drilling process and therefore rely on arriving railcars for that purpose. The excessive number of small-cube sand hoppers on line for unloading has decreased velocity, causing that car type to be in short supply, here and elsewhere. We have employed the bully pulpit and demurrage charges in attempting to manage this problem.

New business in outbound crude oil produced from recently drilled wells is a welcome offset to the loss of wheat. Additional side tracks and industrial spurs are being built or upgraded to accommodate the additional traffic without exacerbating the congestion problem. Much of the activity is taking place at the previously underutilized extremities of our system, necessitating track improvements for safe and efficient handling of hazardous substances. A TIGER III grant application to improve 17 miles of presently excepted track will be submitted shortly to address that shortcoming.

Our companies have taken full advantage of the Section 45G tax-credit incentive for private-sector investment in track and bridges, which has made a noticeable difference for most of the nation's short lines. Farmrail's commitment to infrastructure essentially doubled

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in the past six years, and we are hopeful that Congress will authorize an extension of this demonstrably worthwhile federal program.

Yours truly,

A handwritten signature in cursive script that reads "George C. Betke, Jr." with a long horizontal flourish extending to the right.

George C. Betke, Jr.
Chairman and Chief Executive Officer