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KARI MORELL

kmorell@dc.bjllp.com

September 16, 2008

BY HAND DELIVERY

The Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423-0001

FEE RECEIVED

SEP 17 2008

**SURFACE
TRANSPORTATION BOARD**



Re: STB Docket No. 35174, Watco Companies, Inc – Continuance in
Control Exemption – Pacific Sun Railroad, LLC

Attached for filing are the original and ten copies of a Verified Notice of
Exemption under 49 C.F.R. § 1180.2(d)(2), and a check covering the \$1,300 filing fee

Please time and date stamp the extra copy of the Verified Notice of Exemption
and return it with our messenger.

If you have any questions, please call me.

Sincerely,

**ENTERED
Office of Proceedings**

SEP 18 2008

**Part of
Public Record**

Karl Morell

FILED

SEP 17 2008

**SURFACE
TRANSPORTATION BOARD**

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35174

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
PACIFIC SUN RAILROAD, L.L.C.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)



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Public Record

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
WATCO COMPANIES, INC

Dated: September 16, 2008

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35174

**WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
PACIFIC SUN RAILROAD, L.L.C.**

**VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)**

Watco Companies, Inc. ("Watco") files this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of Pacific Sun Railroad, L.L.C. ("PSRR"), a non-carrier, upon PSRR's becoming a Class III railroad. In support of this Notice of Exemption, Watco submits the following information as required by 49 C.F.R. § 1180.4(g):

Section 1180.6(a)

- (1) A description of the proposed transaction.
 - (i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of counsel to whom questions regarding the proposed transaction can be addressed.

Watco, a non-carrier, is a Kansas corporation which currently controls, indirectly, eighteen (18) Class III railroads operating in 15 States. Watco also owns 100 percent of the issued and outstanding stock of PSRR. PSRR, a Kansas limited liability company, is a non-carrier that was formed for the purpose of leasing and operating certain rail lines owned by BNSF Railway Company ("BNSF") and a Rail Freight Easement retained ("Retained Easement") by BNSF in California. Concurrently with the filing of this Notice of Exemption,

PSRR is filing a Notice of Exemption in STB Finance Docket No. 35173, *Pacific Sun Railroad, L L C – Lease and Operation Exemption – BNSF Railway Company*, under 49 C.F.R. § 1150.31, to lease and operate the BNSF rail lines and Retained Easement. Upon consummation of the transaction in STB Finance Docket No. 35173, PSRR will become a Class III carrier.

Watco also controls, through stock ownership and management, the South Kansas and Oklahoma Railroad Company (“SKO”), Palouse River & Coulee City Railroad, Inc. (“PRCC”), the Timber Rock Railroad, Inc. (“TIBR”), the Stillwater Central Railroad, Inc. (“SLWC”), the Eastern Idaho Railroad, Inc. (“EIRR”), Kansas & Oklahoma Railroad, Inc. (“K&O”), the Pennsylvania Southwestern Railroad, Inc. (“PSWR”), the Great Northwest Railroad, Inc. (“GNR”), the Kaw River Railroad, Inc. (“KRR”), the Mission Mountain Railroad, Inc. (“MMT”), the Mississippi Southern Railroad, Inc. (“MSRR”), the Yellowstone Valley Railroad, Inc. (“YVRR”), the Louisiana Southern Railroad, Inc. (“LSRR”), the Arkansas Southern Railroad, Inc. (“ARSR”), the Alabama Southern Railroad, Inc. (“ABS”), the Vicksburg Southern Railroad, Inc. (“VSOR”), the Austin Western Railroad, Inc. (“AWRR”), and the Baton Rouge Southern Railroad, LLC (“BRSR”). SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR and BRSR are Class III carriers which operate rail lines in 15 States.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR and BRSR do not connect with the rail lines that will be operated by PSRR. The rail lines that will be operated by PSRR are located in California. No Watco rail carrier currently operates in California.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines that will be operated by PSRR with any railroad in the Watco corporate

family. Finally, neither PSRR nor any of the carriers controlled by Watco are Class I rail carriers. Accordingly, this transaction falls within the class of transactions described at 49 C.F.R. § 1180.2(d)(2), and exempt from prior approval by the Surface Transportation Board ("Board").

The name and business address of Applicants are as follows:

Watco Companies, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Austin Western Railroad, Inc.
10801 North MoPac Expressway
Building 1, Suite 130
Austin, TX 78759

Vicksburg Southern Railroad, Inc.
315 W. 3rd Street
Pittsburg, Kansas 66762

Alabama Southern Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Arkansas Southern Railroad, Inc.
315 W. 3rd Street
Pittsburg, Kansas 66762

Louisiana Southern Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Yellowstone Valley Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Mississippi Southern Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Mission Mountain Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

**South Kansas and Oklahoma Railroad Company
123 N. Depot
Cherryvale, KS 67335**

**Palouse River & Coulee City Railroad, Inc.
325 Mill Road
Lewiston, ID 83501**

**Timber Rock Railroad, Inc.
505 West Avenue F
Silsbee, TX 77656**

**Stillwater Central Railroad, Inc.
123 N. Depot
Cherryvale, KS 67335**

**Eastern Idaho Railroad, Inc.
618 Shoshone St. West
Twin Falls, ID 83301**

**Kansas & Oklahoma Railroad, Inc.
1825 W. Harry
Wichita, KS 67213**

**Pennsylvania Southwestern Railroad, Inc.
1200 Midland Avenue
Midland, PA 15059**

**Great Northwest Railroad, Inc.
325 Mill Road
Lewiston, ID 83501**

**Kaw River Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762**

**Baton Rouge Southern Railroad, LLC
315 W. 3rd Street
Pittsburg, Kansas 66762**

**Pacific Sun Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762**

Applicants' representative:

**Karl Morell
Of Counsel
Ball Janik LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307**

- (ii) The proposed time schedule for consummation of the proposed transaction.**

Watco intends to consummate this transaction on or about October 24, 2008

- (iii) The purpose sought to be accomplished by the proposed transaction.**

Watco intends to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the 19 railroads.

- (5) A list of the State(s) in which any part of the property of each applicant carrier is situated.**

SKO's lines are located in Missouri, Kansas and Oklahoma.

EIRR's lines are located in Idaho.

PRCC's lines are located in Washington, Oregon and Idaho.

TIBR's lines are located in Texas and Louisiana.

SLWC's lines are located in Oklahoma.

K&O's lines are located in Kansas and Colorado.

PSWR's line is located in Pennsylvania.

GNR's lines are located in Idaho and Washington.

KRR's lines are located in Kansas and Missouri.

MMT's lines are located in Montana.

MSRR's line is located in Mississippi.

YVRR's lines are located in Montana and North Dakota.

LSRR's lines are located in Louisiana.

ARSR's lines are located in Arkansas

ABS's lines are located in Mississippi and Alabama.

VSOR's rail lines are located in Mississippi.

AWRR's rail lines are located in Texas

BRSR's rail lines are located in Louisiana

PSRR's rail lines will be located in California

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR and BRSR and the rail lines to be operated by PSRR are attached as Exhibit 1.

(7)(ii) Agreement.

Watco will not enter into any agreement, or sign any written instrument, to continue in control of PSRR.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR and BRSR are Class III carriers and because PSRR will become a Class III rail carrier, no labor protection may be imposed on this transaction pursuant to 49 U.S.C. § 11326(c).

ENVIRONMENTAL AND HISTORIC IMPACTS

Watco will continue to control PSRR for the purpose of continued rail operations where further Board approval is required to abandon or discontinue any service, and there are no plans to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

Watco's continuance in control of PSRR will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of these lines to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the lines; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. This transaction will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, this transaction does not contemplate the transportation of any ozone depleting materials. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2)

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karl Morell", is written over a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

Attorney for:
WATCO COMPANIES, INC.

Dated: September 16, 2008

VERIFICATION

STATE OF KANSAS

)

)

ss.

COUNTY OF CRAWFORD

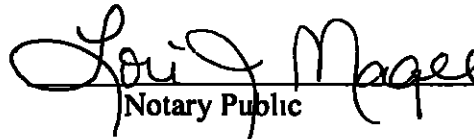
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I, Gary Lundy being duly sworn depose and state that I am Executive Vice President of Watco Companies, Inc , that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Gary Lundy

SUBSCRIBED AND SWORN TO before me this 14 day of September, 2008, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/2012


Notary Public

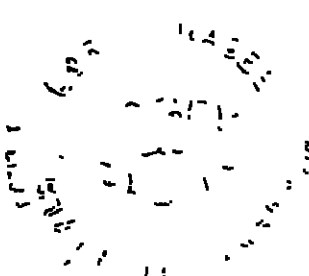
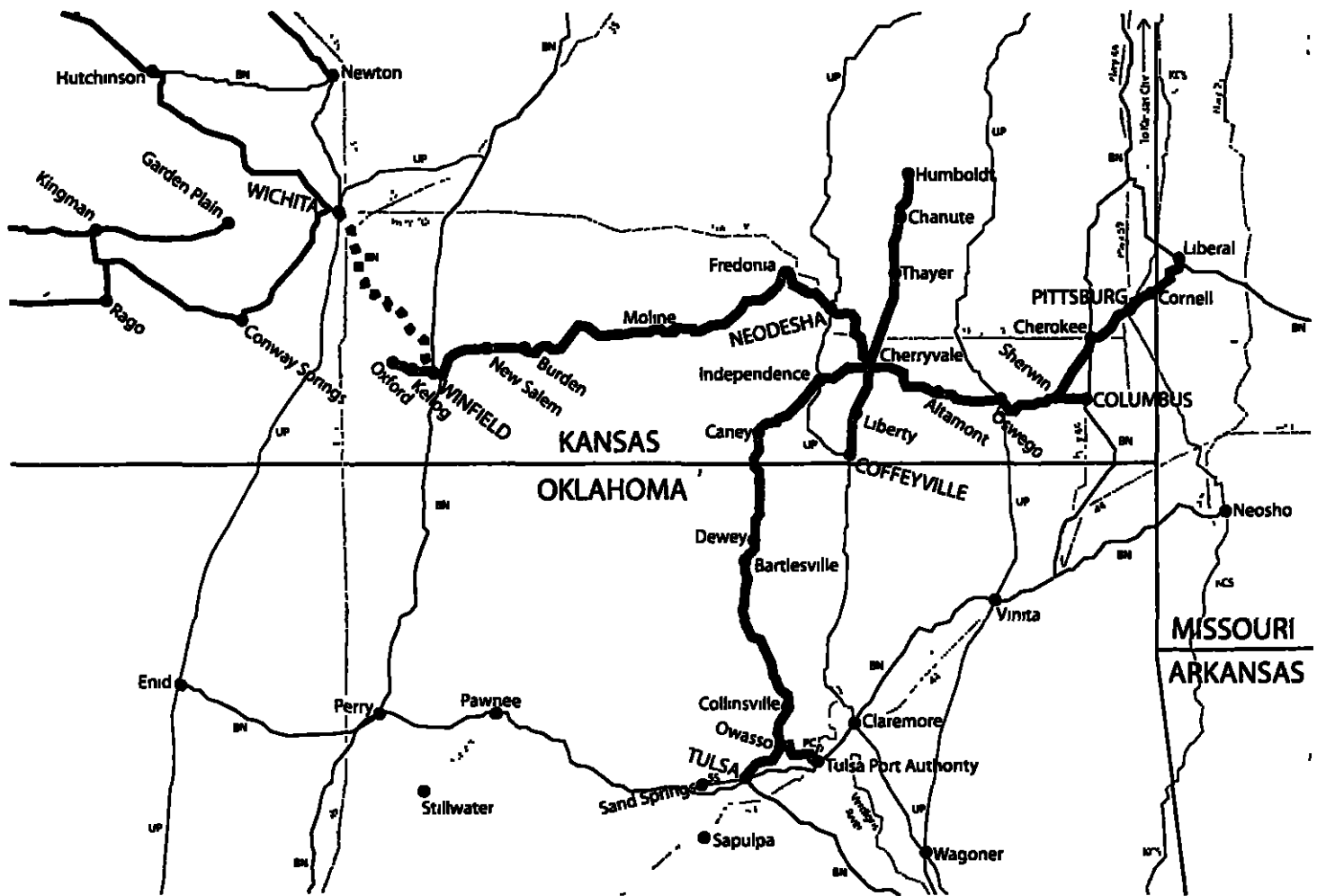
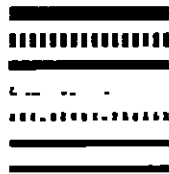


EXHIBIT 1



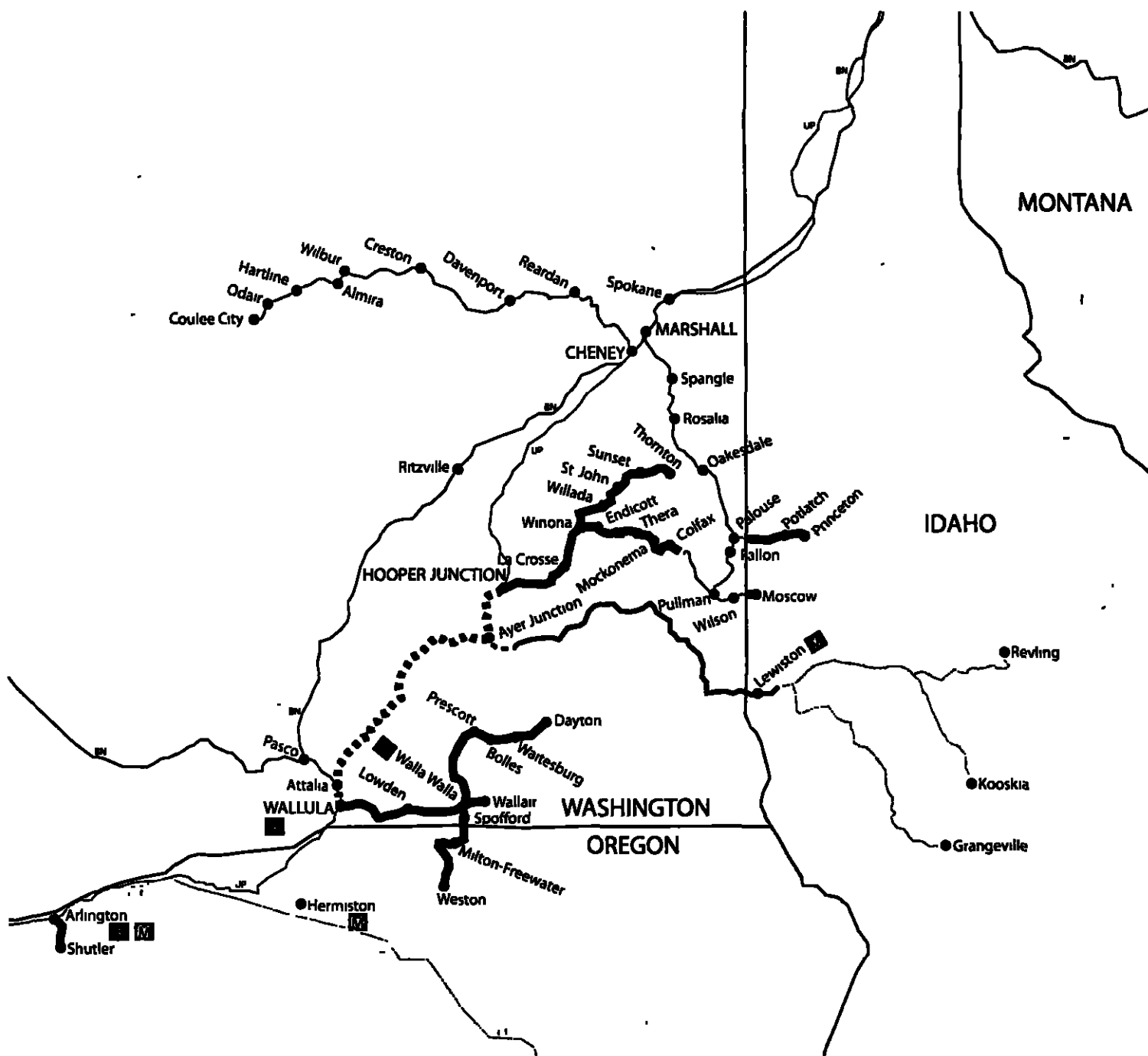
LEGEND:

South Kansas & Oklahoma RR (SKOL)
 South Kansas & Oklahoma Trackage Rights
 Kansas & Oklahoma RR (KO)
 Stillwater Central RR (SLWC)
 Stillwater Central Trackage Rights
 Sand Springs RR (SS)
 Tulsa's Port of Catoosa (PC)



Interchanges

UP - Coffeyville, Winfield, Tulsa, Neodesha
 BNSF - Winfield, Tulsa, Columbus
 KCS - Pittsburg
 KO - Wichita
 SS - Tulsa



LEGEND:

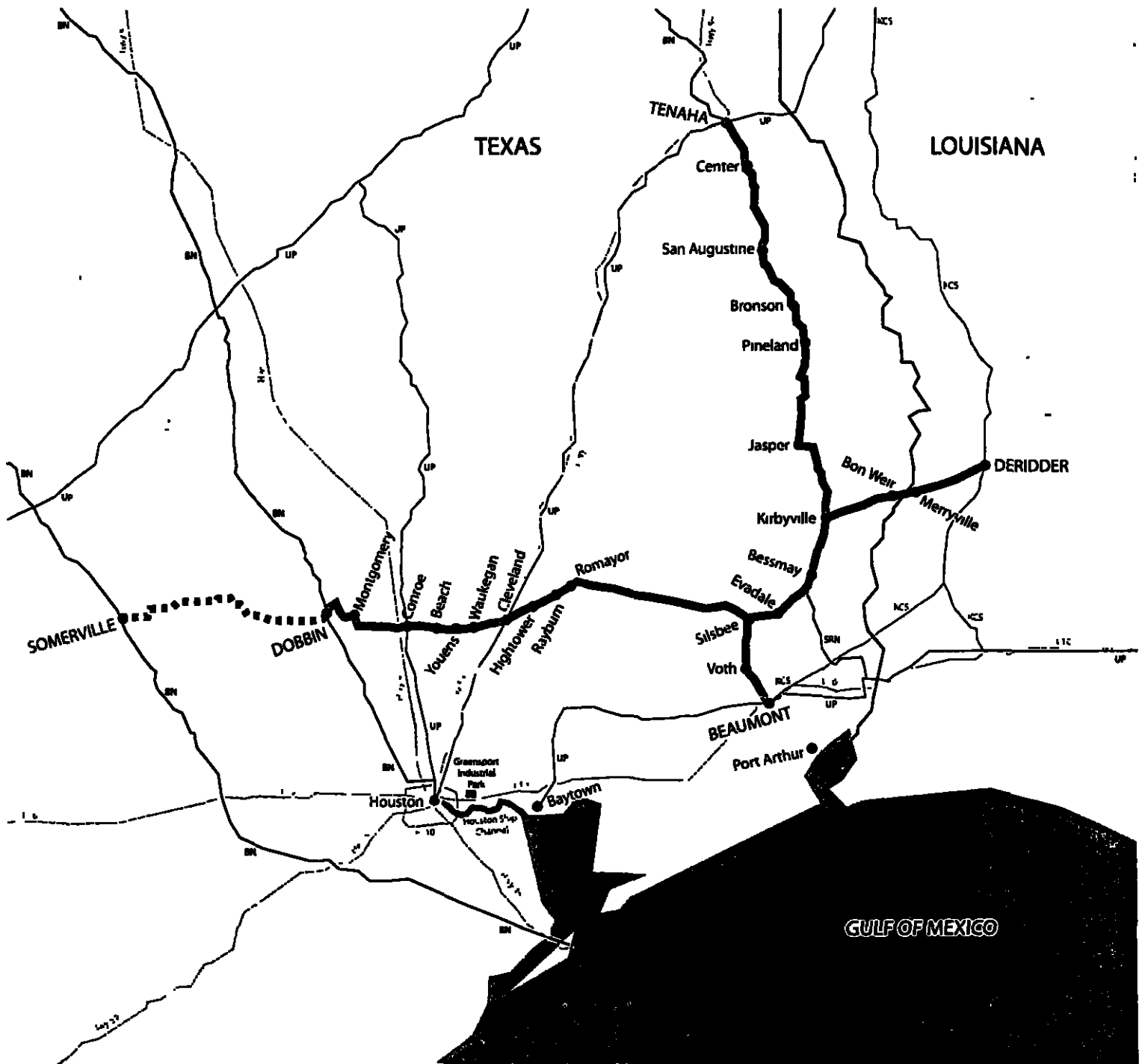
Palouse River & Coulee City RR (PCC)
 Palouse River & Coulee City Trackage Rights
 Great Northwest RR
 Great Northwest RR Trackage Rights
 Washington and Idaho Railway
 Eastern Washington Gateway RR
 BG & CM Railroad

Interchanges

BNSF - Wallula
 UP - Hooper Junction
 - Wallula

Track Miles -

Mechanical Shop
 Switching Services
 Locomotive Shop



LEGEND:

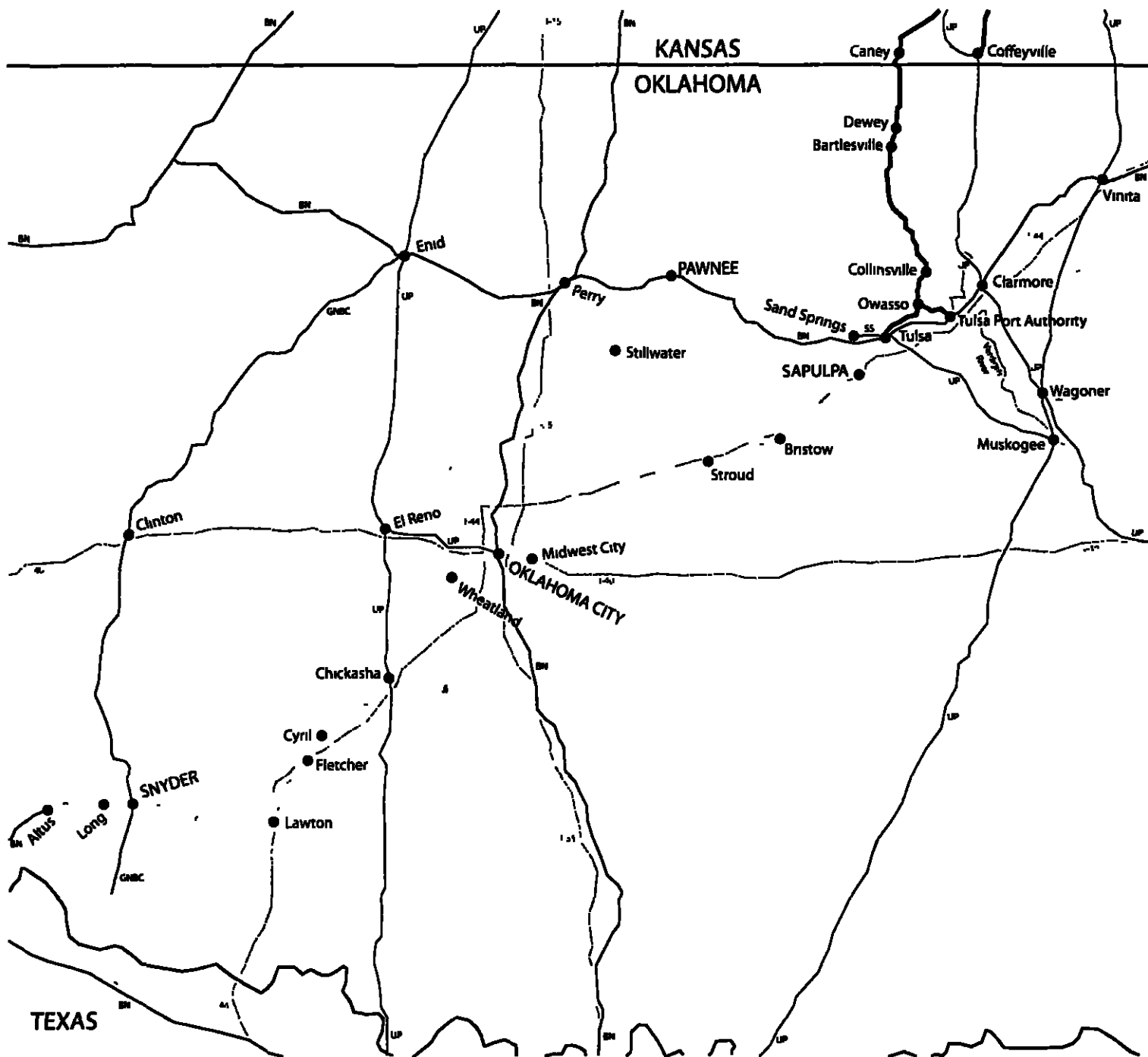
Timber Rock RR (TBA)

Timber Rock Trackage Rights

Interchanges

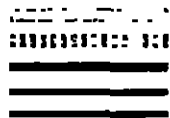
BNSF - Tenaha, Beaumont, Somerville, Dobbin

KCS - DeRidder



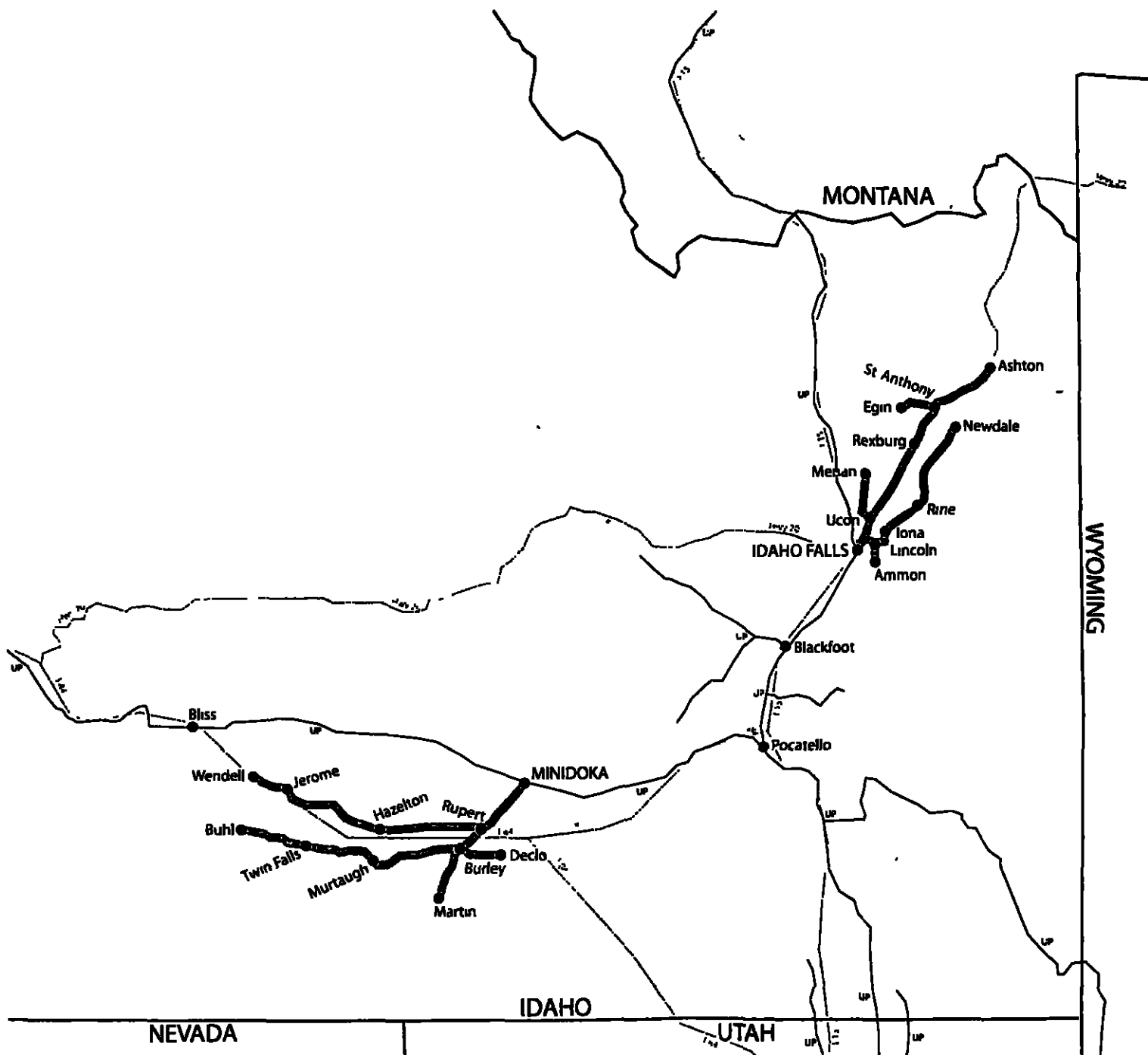
LEGEND:

Stillwater Central Railroad (SLWC)
 Stillwater Central Trackage Rights
 South Kansas & Oklahoma RR (SKOL)
 Sand Springs RR (SS)
 Grainbelt Corporation (GNBC)



Interchanges

BNSF - Oklahoma City, Sapulpa, Snyder
 GNBC - Snyder
 SKOL - Tulsa
 UP - Oklahoma City
 - 227.8 miles
 BNSF - Pawnee
 - 23.6 miles



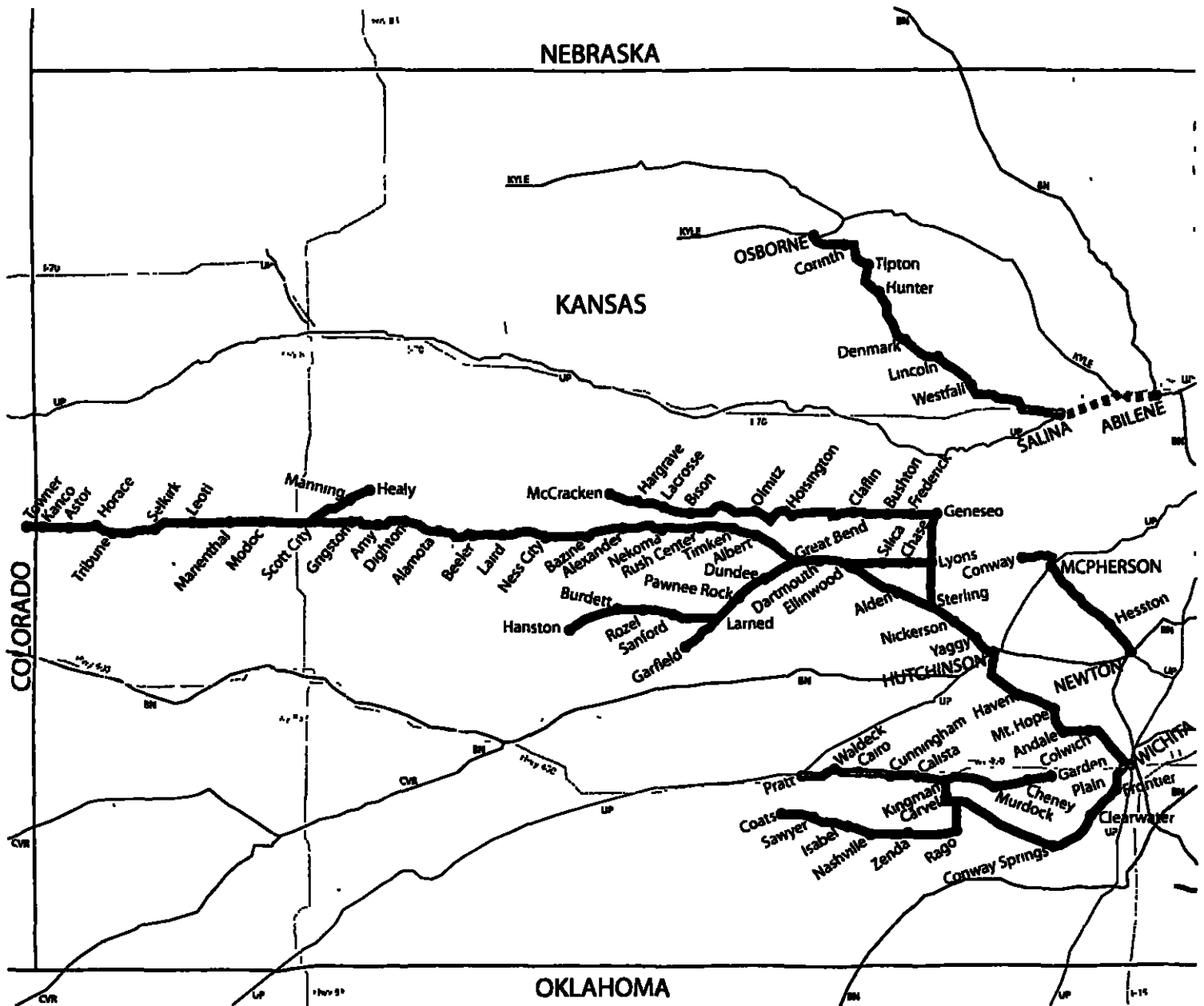
LEGEND:

Eastern Idaho RR (EIRR)



Interchanges

UP - Minidoka, Idaho Falls



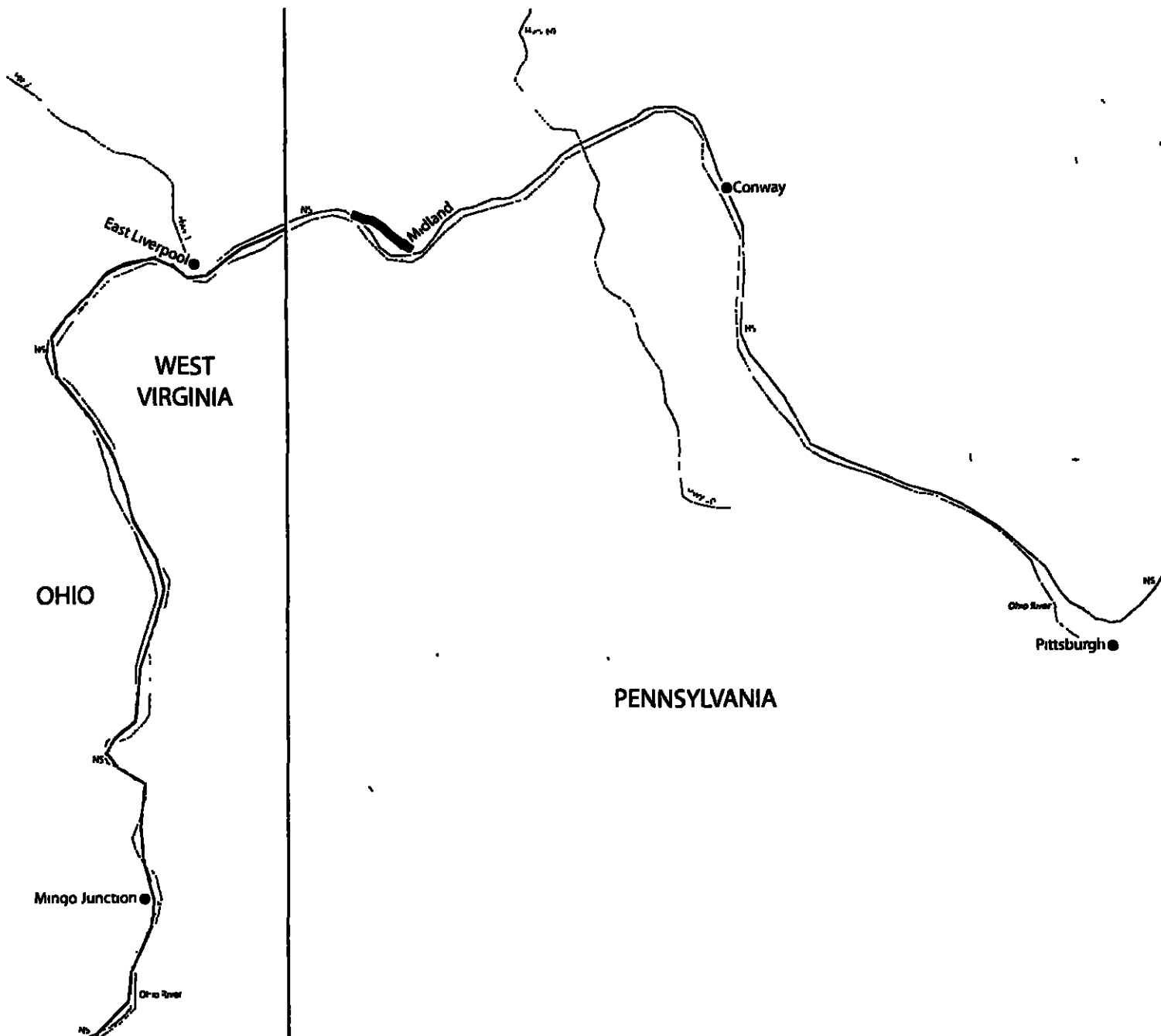
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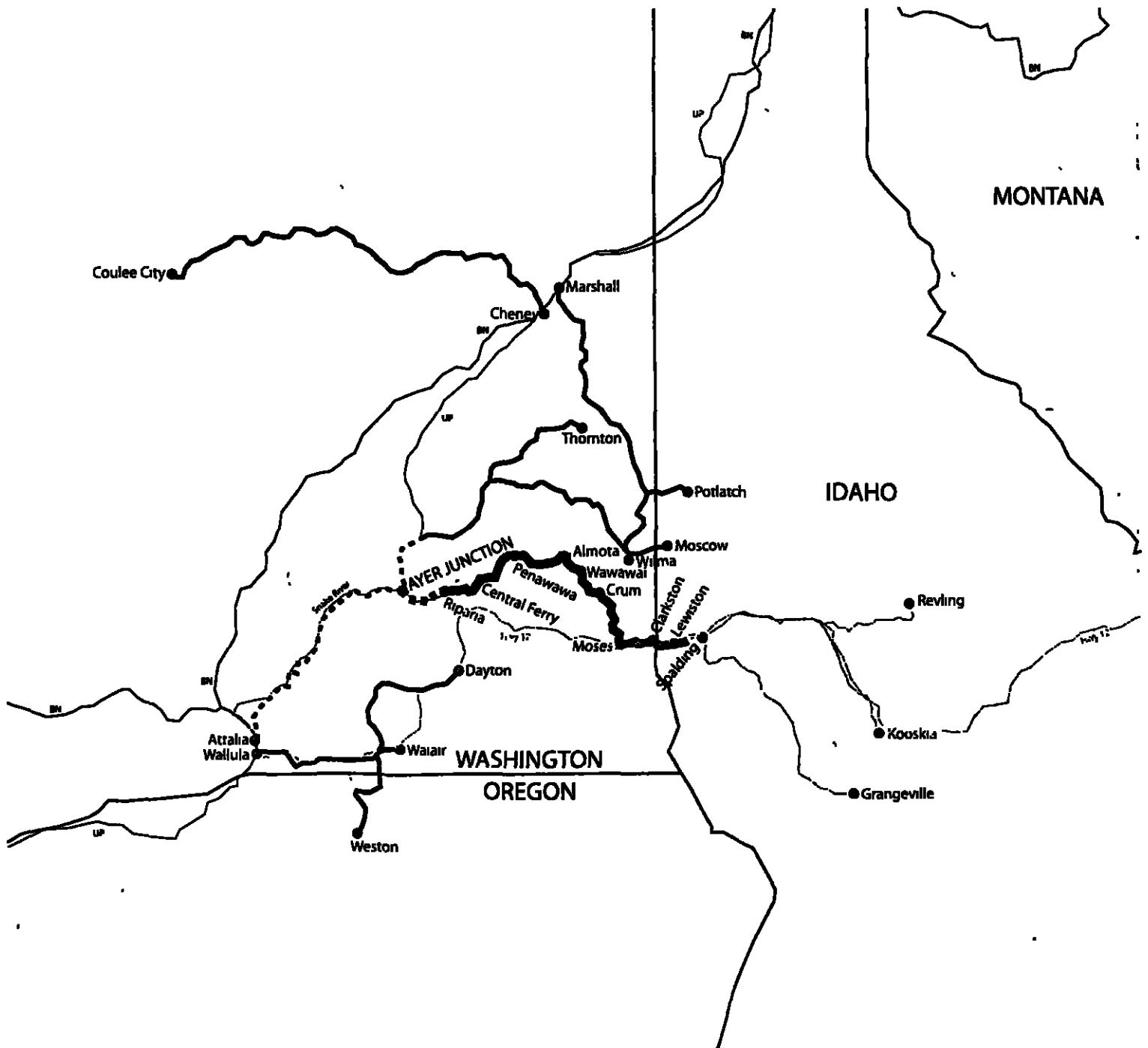
Kansas & Oklahoma RR (KOR)
 Kansas & Oklahoma Trackage Rights
 South Kansas & Oklahoma RR (SKOR)
 Kyle Railroad (KYLE)
 Cimarron Valley Railroad (CVR)



Interchanges

UP - Hutchinson, McPherson, Salina, Wichita
 BNSF - Abilene, Hutchinson, Newton, Wichita
 KYLE - Osborne
 SKOL - Wichita





LEGEND:

Great Northwest RR (GNW)

Great Northwest Trackage Rights

Palouse River & Coulee City RR (PRCC)

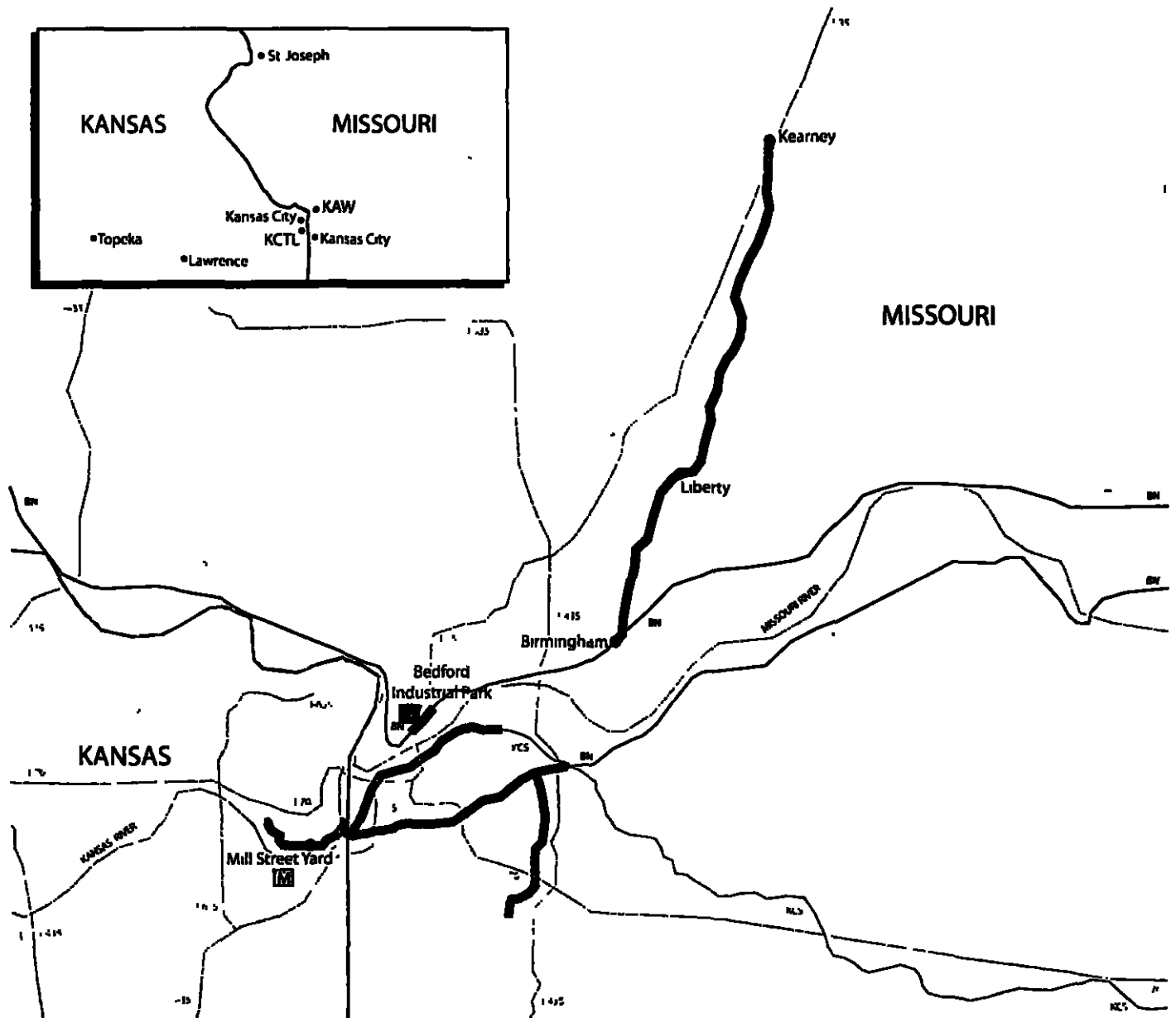
Palouse River & Coulee City Trackage Rights

BG & CM Railroad

Interchanges

UP - Ayer

BNSF - Ayer



LEGEND:

KAW River Railroad (KAW)

Interchanges

BNSF - Kansas City, MO (Bedford Industrial Park)

BNSF - Birmingham, MO (Kearney Subdivision)

Track miles - 21

Kansas City Transportation Company LLC (KCTL)

Interchanges

BNSF - Kansas City, KS

ICE - Kansas City, MO/KS

KCS - Kansas City, MO/KS

NS - Kansas City, MO

UP - Kansas City, MO/KS

Track miles - 32

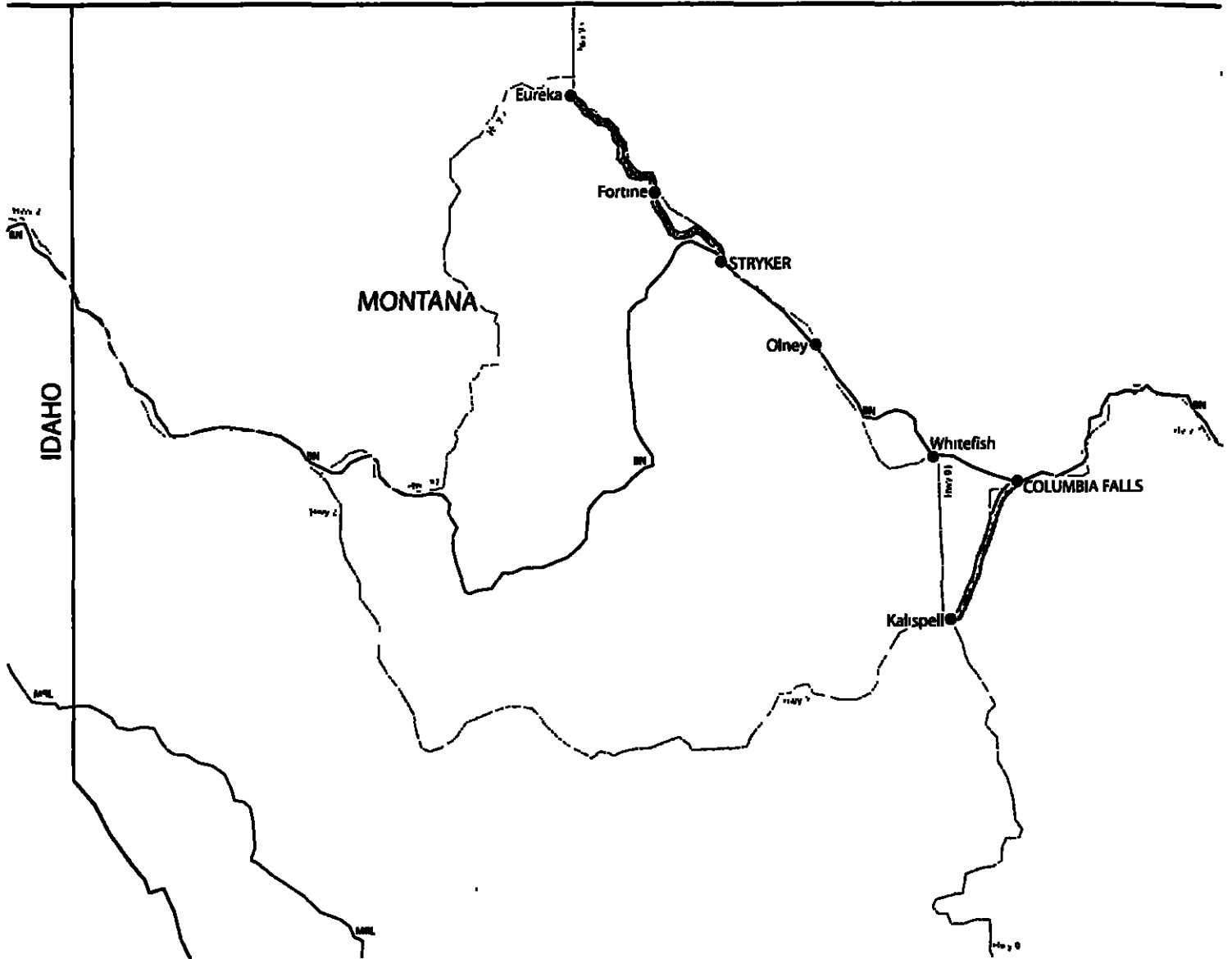


Mobile Repair Shop



Switching Service

CANADA



LEGEND:

Mission Mountain Railroad (MMT)

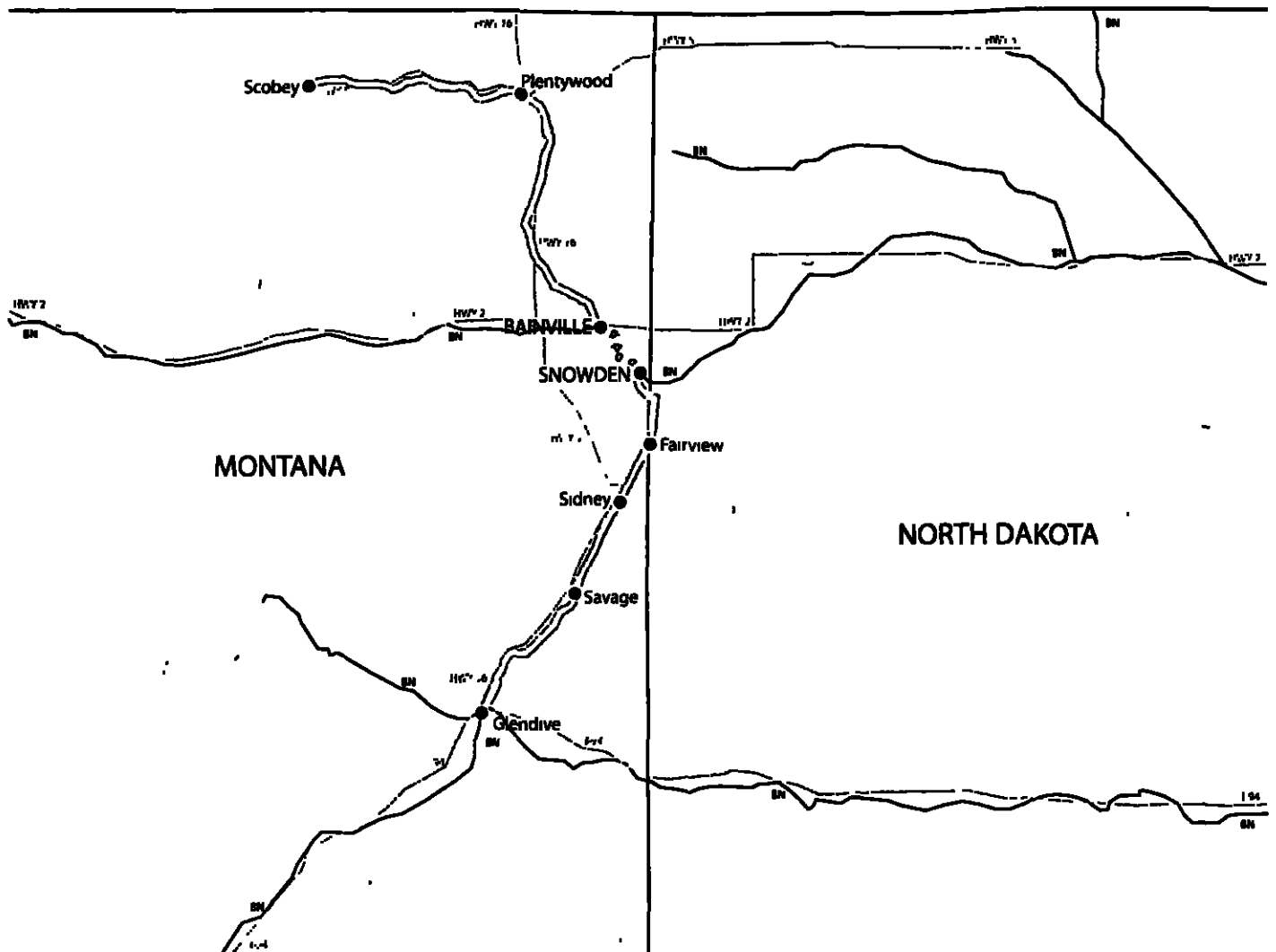


Interchanges

BNSF - Stryker, Columbia Falls



CANADA



LEGEND:

Yellowstone Valley RR (YVR)

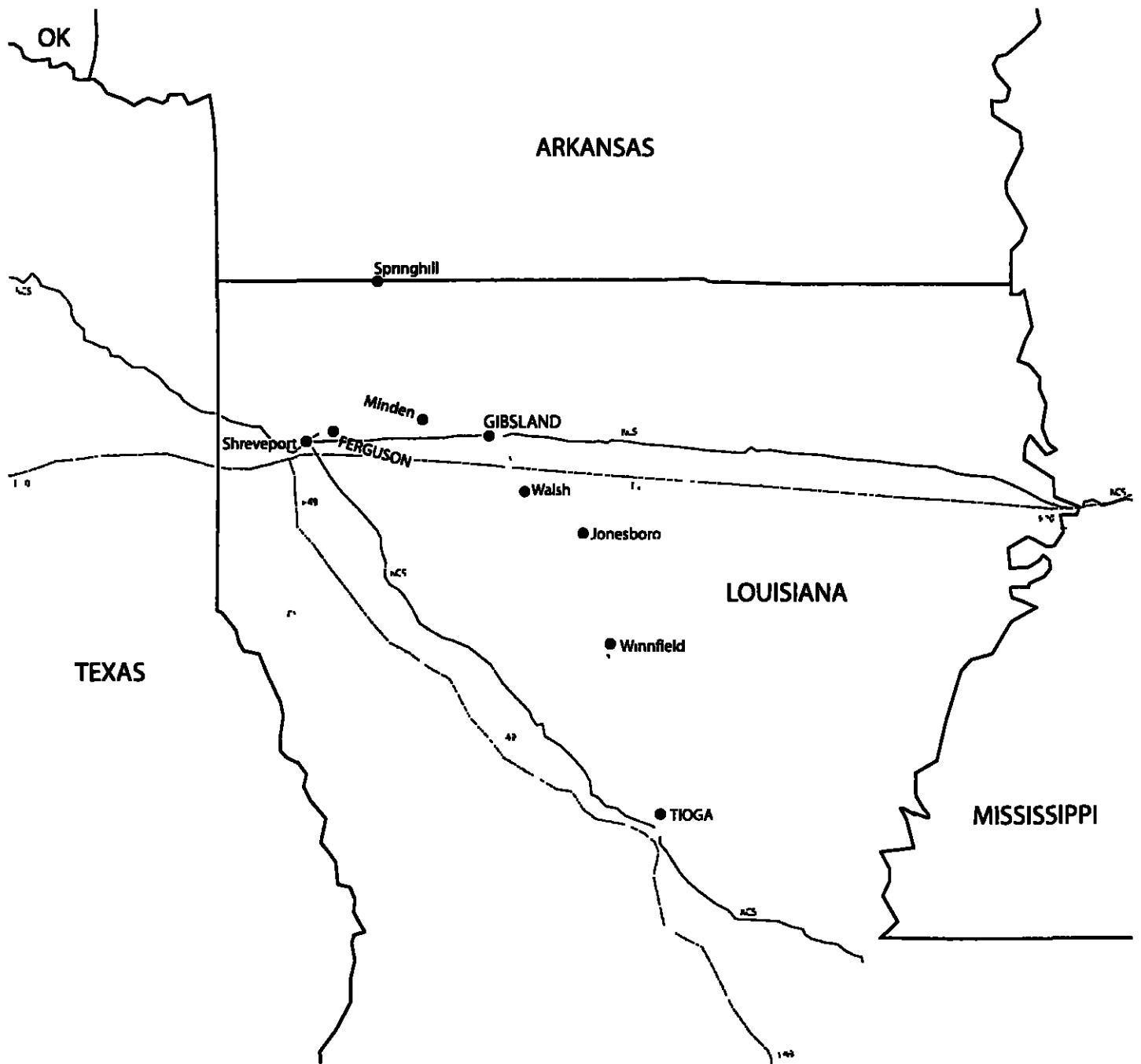


Yellowstone Valley Trackage Rights



Interchanges

BN - Snowden, Barville

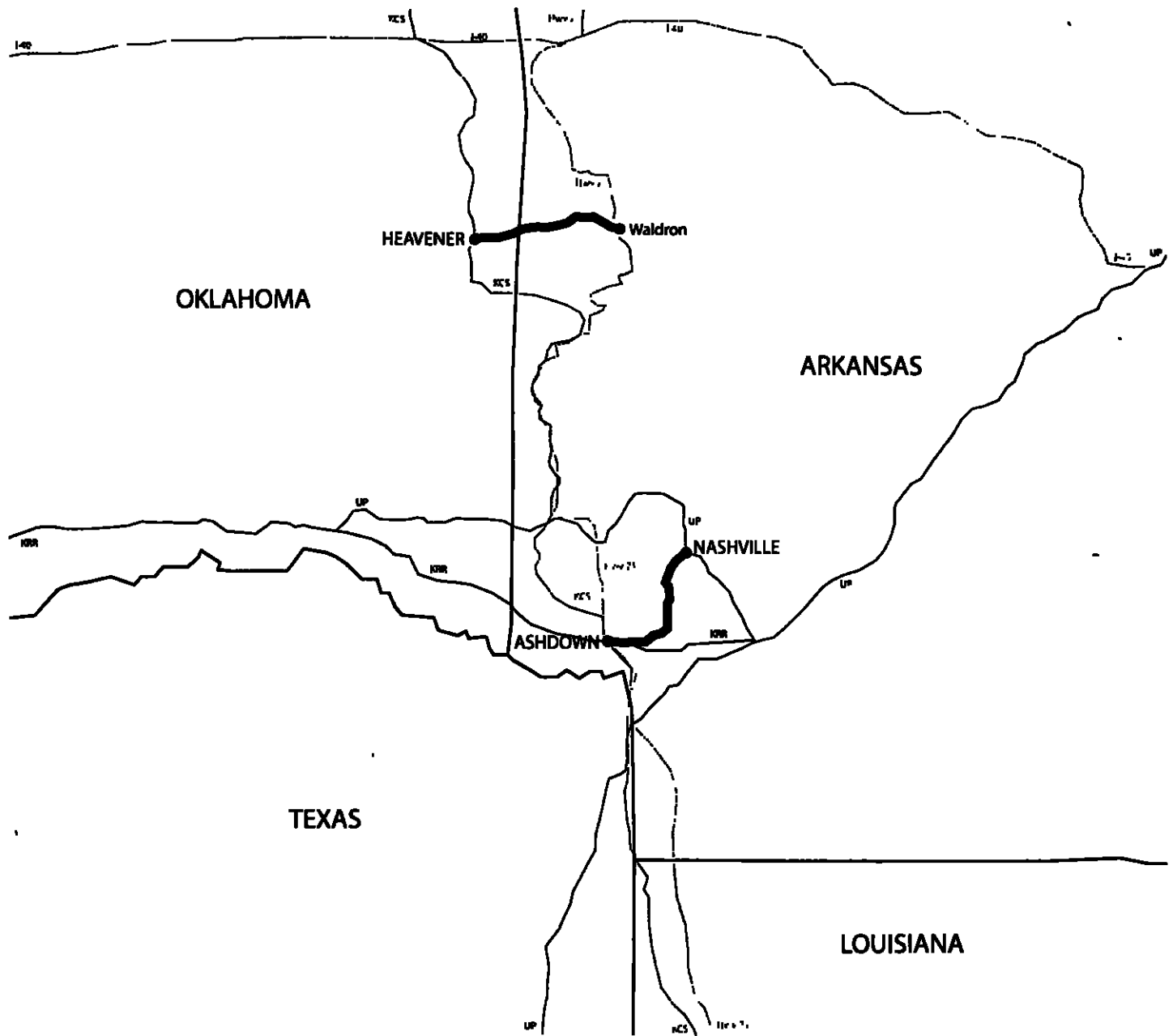


LEGEND:

Louisiana Southern RR (AS) - - - - -

Interchanges

KCS - Gibslan, Sibley, Pineville



LEGEND:

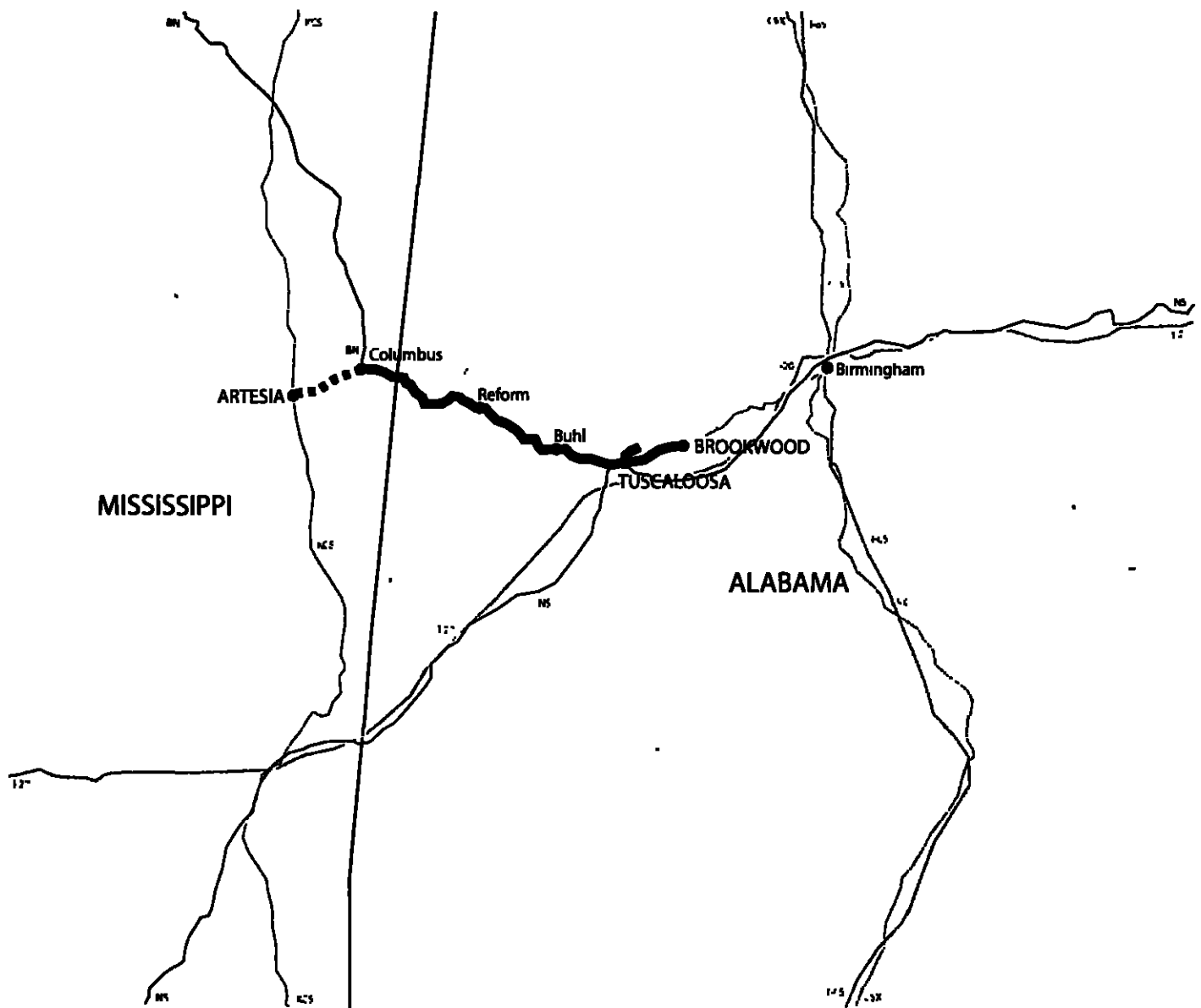
Arkansas Southern RR (ARS)



Interchanges

KCS - Ashdown Heavener

UP - Nashville



LEGEND:

Alabama Southern RR (AS)

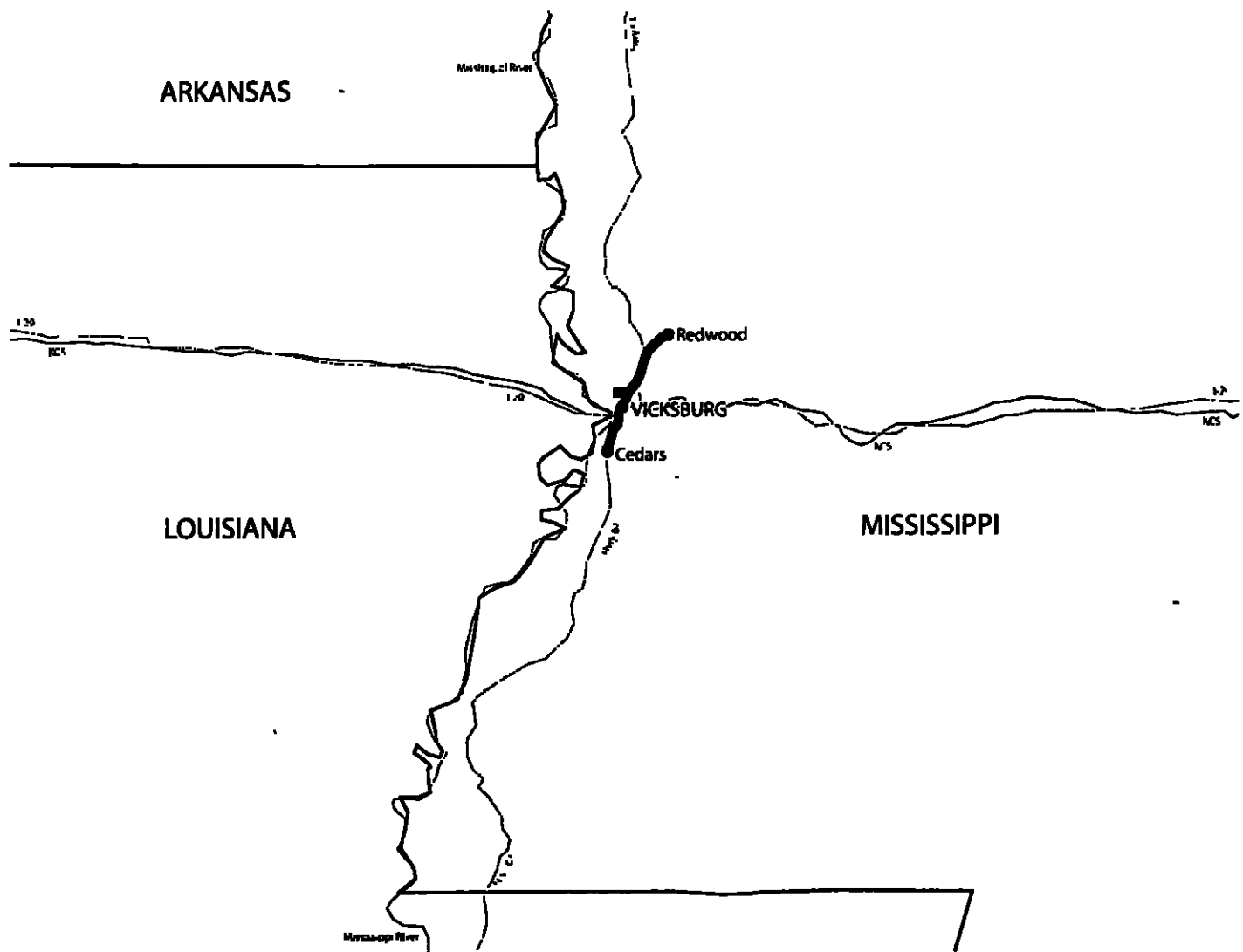
Alabama Southern Trackage Rights ■■■■■■■■■■

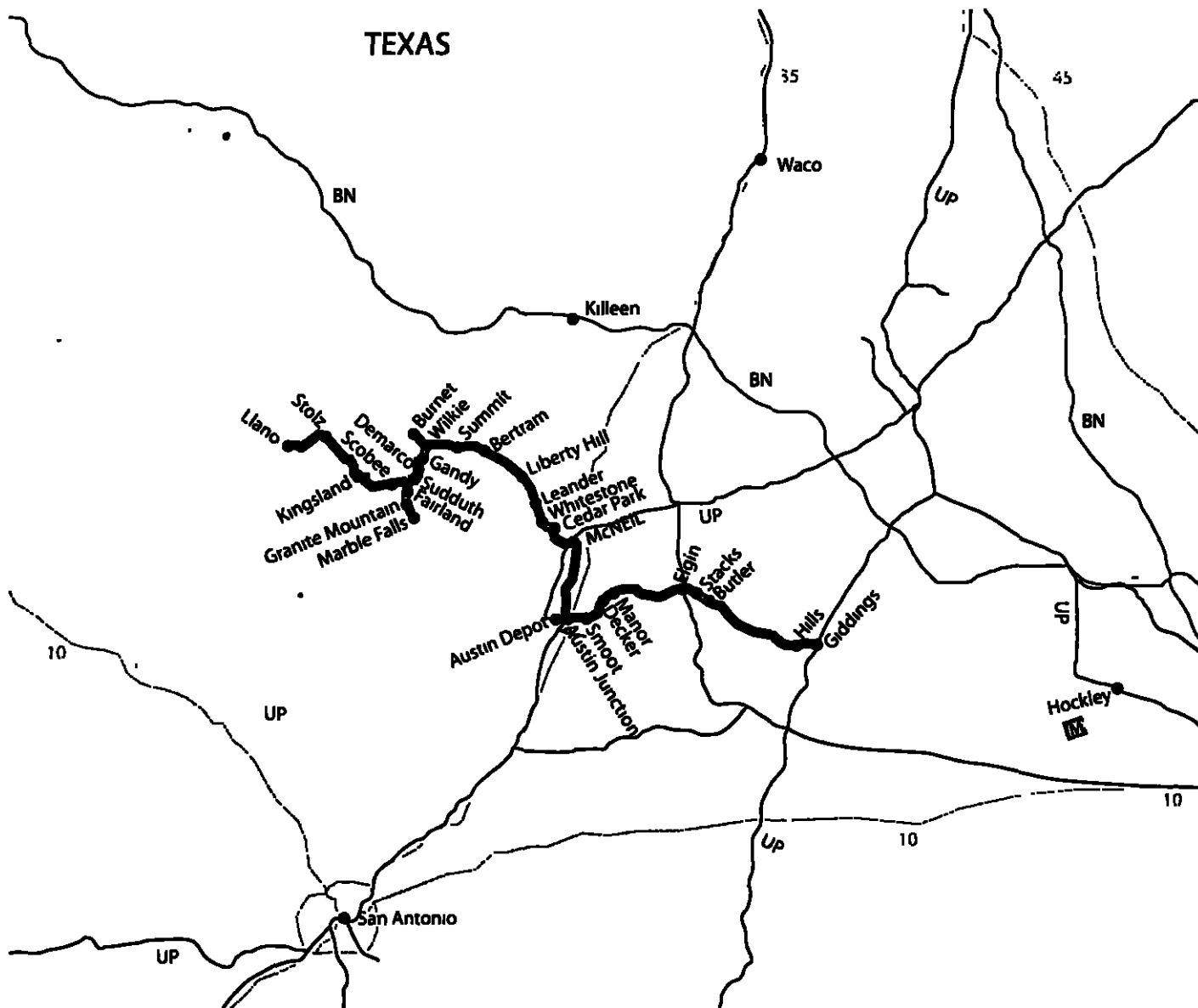
Interchanges

KCS - Artesia

CSX - Brookwood

NS - Tuscaloosa





LEGEND:

Austin Western RR (AWRR)

Interchanges

UP - McNeil

BNSF - McNeil

- 154 miles



Mechanical Shop



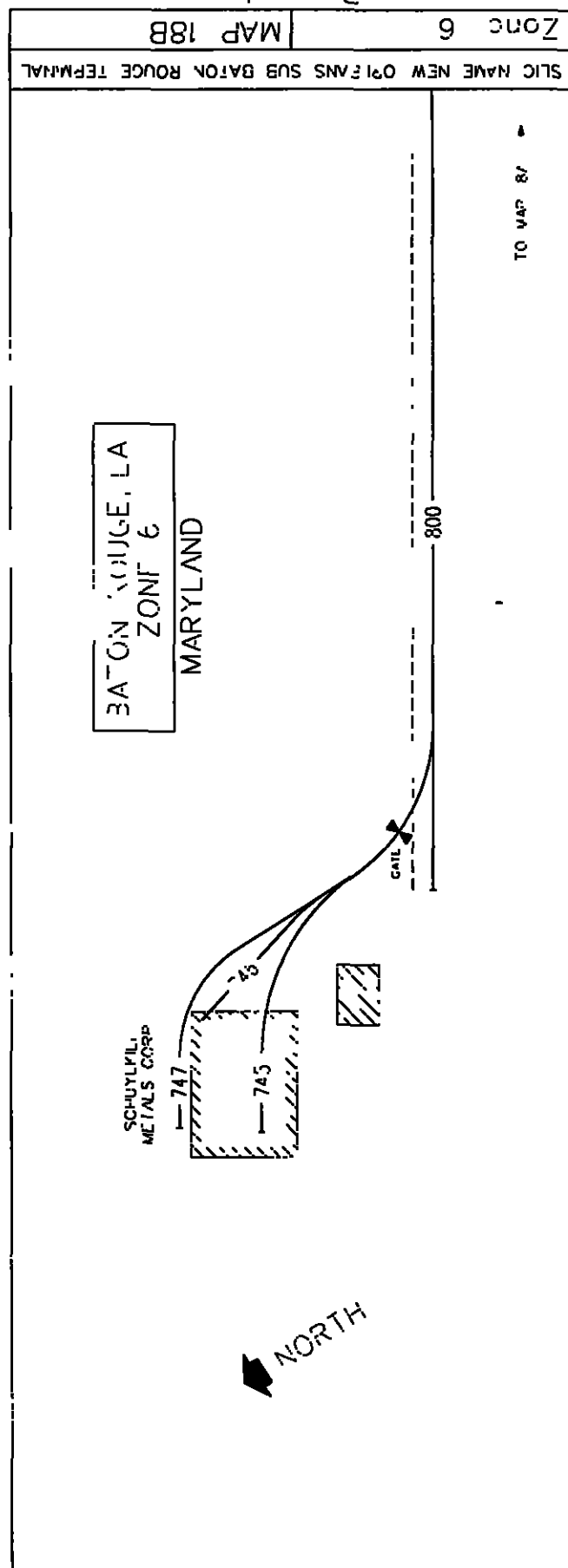
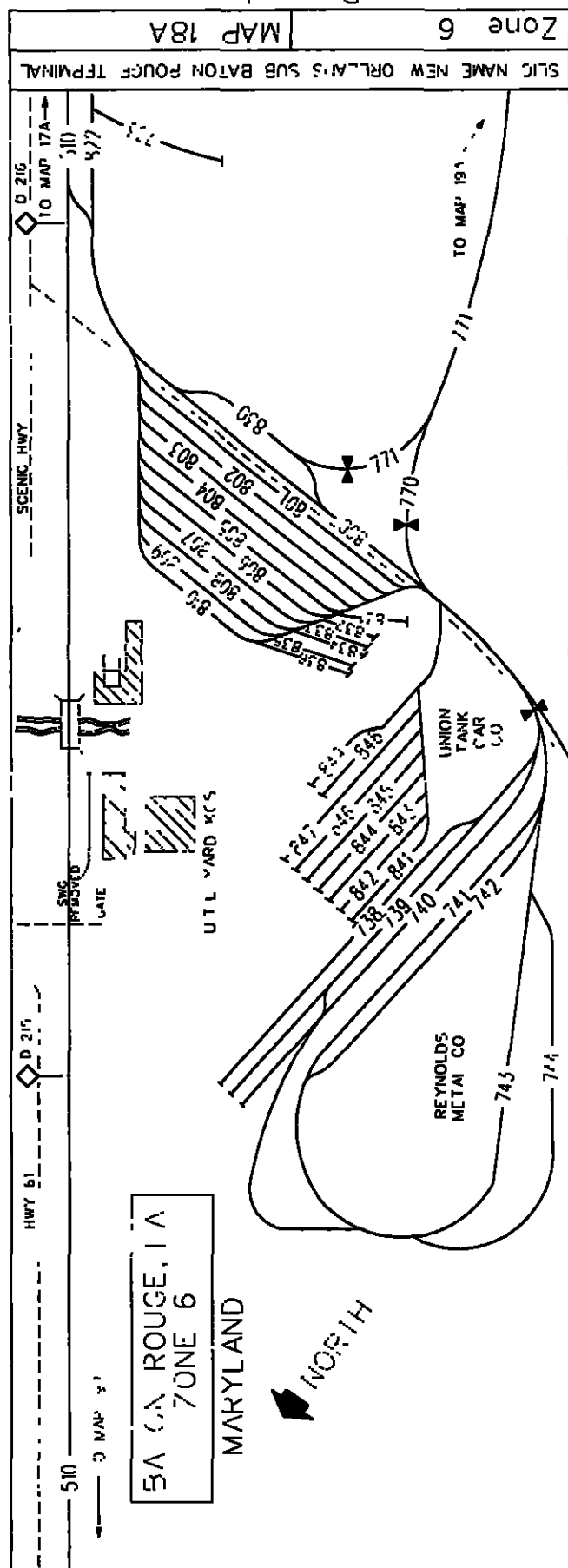
Switching Services



Locomotive Shop



Baton Rouge Southern
Railroad



San Diego County Rail Lines

